

Policy Study Aspen/Pitkin County Housing Authority Affordable Housing Guidelines

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Executive Summary - Key Issues and Recommendations

The Aspen/Pitkin County Housing Authority (APCHA) Program has been successful in achieving its primary goal of housing those that work or have worked in Aspen/Pitkin County. An impressive and diverse inventory of over 2,900 restricted units has been produced that is housing seasonal and long-term workers, as well as workers in a representative mix of industries in the County. APCHA housing is also *affordable*. Comparing incomes to home prices and rents shows that the vast majority of APCHA's residents live in homes they can afford, most spending a far lower percentage of their income for housing than in peer communities.

Employees express the benefit that this housing has had on the community and its workers:

"[T]hanks for providing an opportunity for people to own/rent in Aspen. [W]ithout the housing authority Pitkin County would be a ghost town"! – *Survey Comment*

"Keep up the good work. This is the most necessary program we operate in the city/county. It is vital for the long term health and existence of Aspen". – *Survey Comment*

Despite APCHA's positive impact, there is room for improvement. As APCHA's housing program has evolved over the last 40 years along with the communities it serves, some provisions in the Guidelines are no longer applicable. Other additions have been made over the years to address shifting needs. While all provisions at one time served important purposes, the patchwork of Guidelines created over the past 40 years has:

- Contributed to the complexity of the program creating management challenges and large staffing requirements;
- Reduced transparency, created misconceptions and made it difficult for residents to understand;
- Made it difficult to evaluate the performance of APCHA's programs as evidenced by the complexity of the analysis in this report;
- Resulted in methods that are totally unique to Aspen, thereby limiting the ability to learn from lessons in peer communities and work with State and Federal programs when desired; and
- Disproportionately served different types of employee households.

The following key issues and recommendations address major elements of APCA's Guidelines – affordability, home prices and how households qualify to buy or rent APCA housing. The overriding conclusion is that a major overhaul is warranted. Minor adjustments will not address the problems identified. Also, because the elements of the Guidelines are interdependent, changes cannot be made to one without also changing much of the system. For example, prices cannot be raised without establishing an affordability standard. The basis for the income categories cannot be changed as recommended without also changing the method for qualifying households.

The following key issues and recommendations do not address several pressing aspects of the housing program that were beyond the scope of this study, such as how many or what type of units should be developed, the selection system, how to grapple with retirees remaining in their APCA homes and how to address deferred maintenance. They do, however, highlight how the existing Guidelines relate to the program's goal of serving the Pitkin County workforce, where the current system may be falling short of meeting that goal or not functioning well, and what changes can be considered to improve APCA's ability to meet the housing needs of the local workforce.

APCHA's Affordable Housing Program

Inequities Serving Workforce Households

Issues:

Some segments of the workforce are presently under-served by APCA housing, including:

- Couples with and without children in both ownership and rental housing;
- Persons that have been employed in the area for 4-years or less;
- Very low income renter households earning under \$25,000 per year;
- Higher income owner households earning between \$100,000 to \$200,000 per year; and
- Many APCA renters, particularly those earning under \$50,000 per year, are cost-burdened (paying over 30% of their income for rent).

Recommendations:

- Focus on serving lower income categories; higher income households have more options for housing.
- Change the Guidelines as they pertain to income categories and the dual qualification system as recommended below so that all types of households are qualified for housing by the same method.

Incomes and Assets

Number of Income Categories

Issues:

- Eight categories (including RO) are more than in any peer community. Economic diversity has been achieved as a variety of income levels are served through an assortment of product type and variety in pricing; however, it does not appear that as many categories are needed to maintain this diversity. RO has served multiple purposes over time and has units that are priced above, as well as within, Category ranges. The assumption made that mobile homes would not significantly appreciate if classified as RO units proved to be incorrect.
- The number of categories varies – four for rental and seven for ownership plus RO. This complicates converting to alternative methods for basing income categories.

Recommendations:

- Develop clear policies for future RO units. RO units should be used for housing above the highest priced-capped Category. Units priced below Category 7 should not be classified as RO units, but rather fully price-capped regardless of unit type. Tracking the level at which RO units are priced should be done to allow evaluation of APCHA's inventory in the future. Using designations like "RO4" aids this process.
- Consolidate Categories 5, 6 and 7. About 3% of APCHA's inventory and only 6% of households employed in Pitkin County are in these Categories combined. Consolidating them into a single category could simplify administration, but would require changes in the Guidelines to reference recorded deed restrictions and education of homeowners.
- Add Category 5 for rental housing that largely replaces Category 4. The new category would be comprised primarily of households in the upper end of Category 3, in which the highest number of APCHA rental units are classified.

Income Category Methodology

Issues:

Aspen's unique income categories were derived from a combination of five sources used in a difficult-to-replicate methodology and last calculated 14 years ago. A new system is needed that can be easily updated for simplification, transparency and compatibility with potential State/Federal funding and to set prices/rents and maintain affordability over time.

Recommendations:

Base Categories on AMI. The advantage to this is that it:

- Is a reliable, trusted and readily available data source;
- Is updated annually by HUD, APCHA would need only to copy figures into its documents;
- Would reduce the complexity of the program;
- Would more consistently maintain the relative affordability of Categories over time;
- Is consistent with Federal housing programs and multiple funding sources; and
- Is used by peer communities, which would enable Aspen to evaluate the performance of its housing programs relative to similar programs.

The AMI's for households with an employee working in Pitkin County are now well documented by the survey, making it possible to judge relative affordability and how the categories should be targeted when developing additional housing. The chart AMI by Own/Rent in Section 2 contains the basic data for these purposes.

Recommended AMI Conversion

The conversion to AMI should align current incomes to their average AMI equivalent, as shown below. This would lessen the impact on current residents of Category units and their ability to sell their homes, and shift fewer households from one Category to another than would setting categories at AMI's either lower or higher than current equivalents.

Table 1. Recommended AMI Categories with 2015 Income Maximums

	Cat 1	Cat 2	Cat 3	Cat 4	Cat 5* (5-7)
AMI Range:	20% - 50%	51% - 85%	86% - 115%	116% - 185%	186% - 235%
1 person HH	\$34,150	\$48,445	\$78,545	\$126,355	\$160,505
5 person HH	\$52,650	\$74,758	\$121,095	\$194,805	\$247,455

NOTE: The calculated upper AMI limit has been adjusted to the nearest 5%.

*Category 5 would be a new Category for rentals and would merge Categories 5, 6, 7 for ownership.

Source: Consultant Team

The recommended categories most closely align with the current incomes in the Guidelines for ownership housing while shifting the incomes downward for renters. The reasons for this are detailed in Section 2.

Converting to the recommended AMI system involves tradeoffs. Advantages include:

- Simplicity
- Transparency and consistency
- Ease of transition
- Portability
- Compatibility with program goals

Any conversion of the underlying basis for APCA's income categories will affect existing conditions (such as deed restrictions and leases), current and future households served, and income, rent and sale prices within Categories. The shifts are minimal in Category 1 but increase gradually being greatest in Category 5.

Calculating Income

Issues:

What APCA includes and excludes in income when qualifying applicants does not appear to have major gaps. Although different than federal standards, the method is similar to other resort communities and responds to the challenges of measuring incomes for workforce households in resort economies where holding multiple and seasonal jobs is common. Concerns include:

- Under-reporting of tip and cash income;
- Parents being allowed to provide funds to help purchase homes, which is a very common practice in resort communities; and
- The ability or not of "trust funders" to live in affordable housing.

Recommendations:

- Limit the financial contribution that parents or other non-occupants make to no more than 20% of the purchase price. This would allow buyers access to conventional mortgage financing without the cost of mortgage insurance. It would be a compromise that addresses negative perceptions about “trust funders” and it would still allow buyers to obtain down payment assistance from sources like CHFA.
- Verify income reported to the bank for the mortgage application at least two weeks prior to closing. Tip and other cash income may be reported to qualify for the mortgage, but may not match the income reported to APCHA.
- For applicants holding jobs that typically generate tip income, require that an estimate of the income be provided. Confirming this estimate through employment verification should also be considered.
- Revise the bid submission form/application to further itemize income and specifically ask about being the beneficiary of a trust.
- Inquire of applicants about trusts that may not be reported on current tax returns, like those for which the applicant is not yet old enough to receive income distributions or the income is exempt from taxes.

Asset Caps

Issues:

The scaled asset caps in place:

- Disqualify approximately 36% of employee households working in Pitkin County;
- Were last changed in 2002;
- Disproportionally impact the income categories, although this is not necessarily a negative;
- Are a disincentive to saving for retirement, college education and other major life expenses;
- Have led to two policy changes – reducing the amount of retirement counted and allowing a portion of assets to be counted as income so households can income-qualify for a higher Category unit, which could cost burden some households.
- Add to the amount of staff time needed to qualify applicants.

Recommendations:

Eliminate the asset caps on Category units and RO units with a price appreciation cap. Requiring that 75% of income be earned in Pitkin County, along with a minimum number of hours worked, eliminates buyers with significant income-producing assets and ensures residents are contributing to the local economy even if they have been able to save. The locally-earned income percentage could be increased to further reduce the amount of income-producing assets applicants could own. This is an approach used in other resort communities. Neither Breckenridge nor Vail have asset caps.

If asset caps are not eliminated, the following changes are suggested:

- Apply one cap equally to all units. Applying the \$900,000 cap, which is currently the RO Category limit, would only disqualify about 8% of workforce households compared with 36% currently.
- Exclude qualified retirement savings, as done in Jackson. Retirement savings cannot be used for housing without high tax penalties. Discouraging employees from saving for retirement could ultimately increase the length of time they remain in their APCHA units upon retirement.
- Limit the exclusion from assets of one-time gifts to no more than 20% of the purchase price. The lack of down payments is often an impediment to home purchase. Possibly disqualifying applicants because of down payment assistance seems counter to APCHA's goals yet allowing parents to outright purchase homes has been raised as a concern.
- Raise the caps to lower the percentage of disqualified households.
- Retain caps on RO units that are not resale price capped since competition generated by the more affluent households with significant assets will escalate price increases. Asset caps should reduce the inflationary competition by reducing the number of applicants who qualify, unless a surplus in these units develops.
- Retain the provision prohibiting ownership of other housing within the OEZ.
- Exclude one automobile per employee from the asset calculation. Cars cannot be used to purchase or rent housing and are often needed for work or child care. HUD considers cars to be necessary personal property, not an asset. Counting cars with a price over a designated amount could be a compromise that addresses complaints about APCHA residents having expensive automobiles.

Negative Perceptions related to Income Qualifications

Issues:

Surveys and interviews identified negative perceptions about APCHA's program related to income qualifying, primarily under reporting of income (especially tips), "trust funders" qualifying for APCHA housing and complexity that makes it difficult to understand how to qualify.

Recommendations:

Update APCHA's website to help improve public awareness and program perceptions. Specific changes could include:

- Clarifying objectives
- Providing limited access to a database of the inventory
- A report on the number of units sold per year
- A simplified explanation on how income is calculated
- Information on the affordability of purchase prices and rents

The other recommendations herein, such as limiting the exclusion of gifts when calculating assets to 20% down payments, should result in a system that is easier to explain, more likely to be perceived as equitable, and address concerns about inappropriate use of the system.

Affordability

Affordability Standard

Issues:

Prices are not determined consistently based on an adopted standard for affordability. In some Categories, rents and prices are too high, about right, or too low relative to income, yet affordability is a clear objective of the Housing Program.

Recommendations:

Define affordability based on the housing payment equaling 30% of income. This standard is used widely to determine if housing is affordable. The benefits of doing so outweigh its weaknesses. Defining affordability on the 30% standard will support better decision making on many aspects of the Housing Program such as initial sales prices, appreciation caps, deferred maintenance, and qualification. It will also provide a basis from which to evaluate whether the program is meeting its objective of affordability.

Affordability over Time

Issues:

APCHA's current income-calculation method results in a program that does not consistently serve the same target income market each year. In some years, defined incomes target a higher income market and in some years they may target a lower market. An advantage of linking income limits to HUD AMI is that the target income market would remain constant over time (e.g., always at 50% AMI)

APCHA maximum rents and incomes have generally increased at about the same rate over the years. For ownership, APCHA maximum sale prices have been permitted to increase at faster rates than incomes on average, primarily reducing the affordability of new homes for larger families. Despite this, sale prices remain very affordable for these households, indicating that prices had room to increase.

Recommendations:

Use the annual change in AMI to update prices for new units, which would create stability in the relationship between prices and income over time. This is the preferred approach of peer communities reviewed as part of this study and has been found as the best way to retain the affordability of housing over time. Recognizing that many existing APCHA deed restrictions are based on CPI and can only be changed at resale, at least future deed restrictions could tie price increases to AMI and better retain the affordability of these properties over time.

Affordability of Current Rents and Ownership Prices

Issues:

- Many renters in APCHA units are cost-burdened (pay over 30% of their income for rent). This is particularly acute in Categories 1 and 2, while rents in the upper income categories could be raised and would still be affordable.
- Ownership prices are lower than affordable levels in all Categories, although the difference is much greater among the upper income Categories.

Recommendations:

- Raise prices for new ownership units based on the amounts affordable for the recommended AMI categories.

- Lower rents for Category 1 by reducing the income levels that the Category targets when converting to the recommended AMI income/price structure.

Qualifications for APCA Ownership and Rental Housing

Income Qualification - Distinctions between Owners and Renters

Issues:

The current method of calculating income based on the number of adults for rental and dependents for ownership:

- Disadvantages families with children in rentals and larger families in ownership.
- Raises concerns about Fair Housing.
- Is not compatible with AMI-based income categories.
- Is based on data that are not readily available – neither the Census nor HUD publish income estimates based on number of adults or dependents.
- Is unique among housing programs.
- Is more complicated to manage than programs where household size is measured the same for owners and renters and it is confusing to applicants.
- Involves different scaling factors based on the number of adults or number of dependents making the gap between categories vary between owners and renters.

Recommendations:

Use the total number of persons per household for both owners and renters to determine household income. The advantage to this is that it:

- Simplifies the program by using one method for both rental and ownership;
- Is consistent with HUD methodology for determining incomes and relates to AMI;
- Treats households more equitably based on the number of persons, rather than differently based on the number of adults or dependents;
- Eliminates Fair Housing Issues;
- Maintains the same AMI level within the category regardless of household size; and
- Is used by peer communities, which would enable Aspen to evaluate the performance of its housing programs relative to similar programs.

Bedroom Qualification

Issue:

APCHA determines the number of bedrooms for which a household qualifies based on the total number of persons in the household, as is done by peer communities with the exception of Breckenridge. As household composition and size have changed over the years, situations of overcrowding (families in one-bedroom units) or under-utilized units (empty nesters in larger units) have developed. The priority that APCHA gives to current residents of the property in which units become available attempts to address this problem, yet there is insufficient movement within the inventory to accommodate changing household needs. APCHA's limit of two persons per bedroom for rental product is likely reasonable, however, based on HUD standards.

Recommendations:

- Develop additional units to allow for movement within the inventory to accommodate changing household needs.
- Continue to base the qualifications on the total number of persons in the household.

Administrative Complexity

Issues:

- Aspen has exceptionally complex Guidelines that requires a large staff to administer, are very hard to update, and difficult to understand.
- There are gaps in understanding of the inventory of units likely resulting from an outdated system for collecting, maintaining, and disseminating data.
- APCHA's inventory has grown to nearly 3,000 units, increasing the complexity of keeping track of and monitoring units. The current record keeping system does not support periodic program evaluation.
- The extensive changes recommended herein will initially take more time and effort than maintaining the status quo. Recommendations will have to be approved, residents and the public will need to be educated, Guidelines and deed restrictions changed and new record keeping systems created.

Recommendations

- Prioritize implementation of the recommended changes even if staff time has to be re-directed from day-to-day responsibilities. The investment of time should save time and taxpayer dollars in the long run.
- Improve and consolidate the APCHA housing database. Implementing a centralized system to collect, track and disseminate data will help APCHA reduce its administrative burden, make its inventory more transparent, keep track of what is working well and where changes may be needed, more easily disseminate information, and make the system less reliant upon institutional knowledge.
- Simplify current Guidelines by removing provisions that are outdated and that are not helping APCHA meet its goal. Overly complicated guidelines are hard for the public to understand, contribute to the perceptions that the application process is unfair or “rigged,” and add to the cost and difficulty of operating the program.

INTRODUCTION

The Aspen Pitkin County Housing Authority (APCHA) contracted with the team of Navigate, LLC, WSW Consulting, and Rees Consulting, Inc., to conduct a comprehensive review of its affordable housing program to ensure it is meeting the intended purpose as stated in the Aspen/Pitkin County Employee Housing Guidelines, Amended and Adopted October 2015:

To provide affordable housing opportunities through rental and sale to persons who are or have been actively employed or self-employed within Aspen and Pitkin County, and that provide or have provided goods and services to individuals, businesses or institutional operations within Aspen and Pitkin County (prior to retirement and/or disability).

The purpose of this analysis is to help APCHA understand:

1. The ability for its housing program to serve employed households in Pitkin County;
2. Where the program has been most effective;
3. Where improvements could be made to better meet the intended goals of APCHA's workforce housing program; and
4. Potential policy changes that could help APCHA better meet its goals.

This report answers the primary questions raised in the RFP, including:

1. Affordability: Is APCHA's methodology for setting maximum sales prices and monthly rents creating affordable outcomes? Is there a better method that would be more effective?
2. Income/Assets: In the context of the existing Category system, is APCHA's methodology for measuring income and assets achieving affordability for its target households? What assets/income should be included? Are current Categories segmented appropriately and how do they compare to a system based on Area Median Income (AMI)? Is there a better approach that would be more effective?
3. Household size: Is APCHA's methodology for determining household size based on number of adults for renters and number of dependents for buyers effective? Is there a better method that would be more effective?
4. Qualifications: Is APCHA's twofold system of qualifying renters and buyers achieving its desired outcome of serving employees? Or should both be based on the same household size criteria?

5. Best Practices: How do peer communities address challenges of affordability, income/asset levels, household size, and qualifications to rent or purchase?

Methodology

Information used in this study included a mix of primary research and secondary data analysis. Data collection for this study took place during the months of May through September of 2015.

Pitkin County Employee Survey

To conduct this analysis, it was necessary to understand the mix of employed households occupying APCHA housing compared to the housing needs and demographics of all employees working in Pitkin County. Secondary data sources such as the US Census and American Community Survey (ACS) provide information on households *living* in a given area, but do not supply information on households that are *employed* within a region. In this case, only about 47% of employees working in Pitkin County actually reside within the county – the rest commute in. For this reason, the results of this survey cannot be collected from, nor are they comparable to, the Census or ACS for households living in Pitkin County.

The survey probed household demographics, where workers live, their experience and familiarity with APCHA's program, length and type of employment, interest in purchasing an affordable home or renting an APCHA unit, housing expenses and needs, and income and asset characteristics. Survey results are presented for households that have at least one employed person in Pitkin County – the primary focus for APCHA's housing program.

The goal of survey distribution was to reach a representative selection of persons employed in Pitkin County. With only about 18,000 employees in the county, it was essential to have the largest employers in the area participate in the survey, which have a proportionately larger impact on employee housing needs in the county, along with a mix of smaller employers to capture the array of employment in the county. To achieve this result, various distribution methods were used:

- The survey was distributed on-line through Pitkin County employers to their employees with assistance from the Aspen Chamber Resort Association and their almost 700 members. We also received direct participation from the larger employers, including Aspen Skiing Company, Roaring Fork Transportation Authority, Aspen School District, Auberger Resorts, and Aspen Valley Hospital.
- The survey was also posted on the APCHA website and publicized through radio and print advertisements to notify households who may not have received a survey link from their employer about the survey and provide the opportunity for them to respond.

- Survey invites were emailed to all occupants of APCA housing to provide the ability for all APCA residents to respond to the survey.
- The survey was also offered in Spanish with the assistance of APCA and several of the larger businesses within Pitkin County.

Over 1,470 responses were received from households occupied by at least one person employed in Pitkin County. Because most respondents have more than one employee living in their household, the number of employees represented by the survey is higher (about 2,870 employees). Also, employees hold about 1.2 jobs on average, meaning that the survey represents about 3,450 jobs, or 16% of all jobs, in Pitkin County.

The mix of jobs represented by respondents covers the array of employment in Pitkin County and, although not directly comparable, is similar to the distribution of jobs by industry type reported by local and national jobs sources.

Table 2A. Survey Representation

	Survey (Industry of employment)	Bureau of Economic Analysis (2013)	Colorado Dept. of Local Affairs (2013)
Retail, accommodation, food service	29.4%	26.0%	28.0%
Ski area, recreation, guiding service, professional athlete	13.4%	10.8%	11.4%
Government (excluding education and hospitals)	12.9%	9.5%	10.8%
Banking, legal, computers or other professional service company	8.7%	11.2%	8.7%
School District, other educational institution*	7.0%	1.7%	1.7%
Construction, landscaping	6.9%	4.3%	4.7%
Hospital, health care**	6.8%	2.4%	2.8%
Real estate leasing and sales, property management	4.9%	14.1%	10.9%
Other services, except public administration	5.5%	6.5%	7.8%
Other	4.4%	4.9%	4.0%
Administrative and waste management services***	Not asked	8.5%	9.2%
TOTAL	100.0%	100.0%	100.0%

Federal and state sources are based on NAICS industry codes and classify each business accordingly; the survey relies on individuals to report their industry of employment, which may differ from federal classification standards.

*State and federal sources include private education only; survey includes public education jobs

**May include some contract administrative services, which were not asked in the survey.

*** Includes administrative support services hired on contract by other businesses; not asked on the survey, so will be distributed throughout the other categories on the survey.

The margin of error for survey tabulations is within about 2.5 percentage points at the 95% confidence level. This means that, for tabulations involving the entire sample, there is 95% confidence that any given percent reported is no more than plus or minus 2.5 percentage points from what is actually the case. When estimates are provided for sub-groups, such as owners and renters, the tabulations are less precise.

Table 2B. Employee Survey Response Summary

Survey Responses Received	# of Employees Represented	# of Jobs Held by Respondent Households	Total Pitkin County Jobs (2015)*	% of Jobs Represented by the Survey	Estimated Margin of Error (95%)
1,474	2,870	3,450	22,000	16%	+/- 2.5%

*Source: Colorado Dept. of Local Affairs (DOLA)

Community Interviews

Over 40 interviews with key stakeholders, employers, realtors and lenders in the area were conducted as part of this study. More specifically:

- Key stakeholders. More than 25 interviews with key community stakeholders were conducted, including City and County staff, APCHA staff and board members, City Council Members, and County Commissioners. Information was collected on perceptions of the housing program, evolution of the programs, community needs, opportunities, and challenges.
- Pitkin County Employers. The larger Pitkin County employers were interviewed, including but not limited to Aspen Skiing Company, Roaring Fork Transportation Authority, Auberger Resorts, and Aspen Valley Hospital. Employers were asked about employee recruitment and retention, experience with and perceptions of APCHA's housing program, housing needs of their workers, and how APCHA's housing program can better serve their employees.
- Real estate agents and local lenders. Over six interviews were conducted with local and down valley real estate agents and lenders, gathering information on local housing market and home qualification information, local lending standards and products used, problems in lending to local households, or on APCHA products, if any; and where the housing market is falling short of meeting local workforce needs.

Review of Peer Housing Programs

This study included an analysis of housing programs in four high-cost mountain communities. The following communities were selected because they have significant experience providing, managing and maintaining a diversity of housing for their workforce:

- Breckenridge, Colorado
- Telluride, Colorado
- Vail, Colorado
- Jackson, Wyoming

The purpose was to understand how comparable communities address each primary component of this study, their relative successes and problems, and to identify methodologies that may help APCHA address its program challenges and goals. The results of this analysis are summarized throughout the report, as well as in an easy-to-reference matrix in the Appendix.

Secondary Data

Analysis of existing reports, policies and data included:

- Review of APCHA's existing housing inventory and program, including the Aspen/Pitkin County Employee Housing Guidelines, Amended and Adopted October 2015, and related program and policy documents and housing data sets from APCHA.
- Secondary data sources, including U.S. Census Bureau, Quarterly Census of Employment and Wages (QCEW), Bureau of Economic Analysis (BEA), Colorado Department of Local Affairs (DOLA) and local housing and economic studies.

Organization of This Report

The analysis of APCHA's Employee Housing Guidelines 2015 is presented in the following report sections. Report sections are organized around the topics of interest expressed in the Request for Proposals:

- Section 1: Examination of APCHA's Affordable Housing Program – which sets the stage for the analysis in later sections by introducing APCHA's program and housing inventory and using the 2015 Employee Survey results to understand which households APCHA is serving well and where improvements can be made;
- Section 2: Income, Assets and Housing Categories – which evaluates APCHA's system for measuring income and assets and their respective limits defined for each Category of housing;

Section 3: Affordability – which evaluates whether rents and purchase prices for APCHA homes within each Category are affordable to the households that qualify for them, both presently and over time; and

Section 4: Household Size and Qualifications to Rent & Purchase – which analyzes APCHA's dual qualification system for ownership and rental units based on household size and a specific number of bedrooms.

Sections 2 through 4 discuss:

- APCHA's present policy expressed in its Employee Housing Guidelines 2015,
- Federal and other generally accepted standards for relevant policies,
- The effect of APCHA's policies on meeting its workforce housing goals, and
- Practices applied and lessons learned from housing programs in peer mountain communities.

Based on this research, specific recommendations are made for changes that could be considered to help APCHA better meet its housing goals. These are summarized at the beginning of the study in the section titled "Executive Summary - Key Issues and Recommendations."

This report also contains the following appendices, providing more detail on the primary research conducted as part of this study:

- Appendix A contains additional tables and charts for Section 1.
- Appendix B contains additional tables and charts for Section 2.
- Appendix C contains additional tables and charts for Section 3.
- Appendix D contains a matrix of peer community housing programs.
- Appendix E contains a map of the Ownership Exclusion Zone (OEZ).

Definitions

American Community Survey – The ACS is part of the Decennial Census Program of the U.S. Census. The survey was fully implemented in 2005, replacing the decennial census long form that has been discontinued. Because it is based on a sample of responses, its use in smaller areas (under 65,000 persons) is best

suites for monitoring general changes over time rather than for specific demographic counts due to potentially high margins of error.

Affordable Housing – As used in this report, housing is deemed to be affordable if the monthly rent or mortgage payment is equal to or less than 30% of gross household income (before taxes). When housing costs exceed 30% of income, the household is considered to be *Cost Burdened*.

Area Median Income (AMI) – A term that generally refers to the median incomes published annually for counties by the US Department of Housing and Urban Development (HUD). AMI varies by household size, an issue covered in this report. HUD uses four income categories as follows:

- *Extremely Low Income* – At or below 30% AMI
- *Very Low Income* – Between 31% and 50% AMI
- *Low Income* – From 51% to 80% AMI
- *Moderate Income* – From 81% to 100% AMI

The published incomes for Pitkin County for 2015 are as follows:

Table 3. 2015 HUD AMI - Pitkin County

AMI	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$20,500	\$23,400	\$26,350	\$29,250	\$31,600
50%	\$34,150	\$39,000	\$43,900	\$48,750	\$52,650
60%	\$40,980	\$46,800	\$52,680	\$58,500	\$63,180
80%	\$47,400	\$54,200	\$60,950	\$67,700	\$73,150
100%	\$68,300	\$78,000	\$87,800	\$97,500	\$105,300
120%	\$81,960	\$93,600	\$105,360	\$117,000	\$126,300

Source: Department of Housing and Urban Development (HUD)

Consumer Price Index (CPI)¹ – A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, including retail goods and other items. The CPI is published by the Bureau of Labor Statistics (BLS) and is commonly used as an economic indicator of change and to adjust dollar values. APCHA uses CPI to adjust its income limits and for sale and rental home prices for its housing Categories on a yearly basis. The cost of housing is not a factor included in the CPI calculation.

Cost Burdened – When housing costs exceed 30% of a household's gross (pre-tax) income. Housing costs include rent or mortgage and may or may not include utilities, homeowner association fees, transportation or other necessary costs depending upon its application. Households are *severely cost-burdened* when housing costs comprises 50% or more of gross income.

¹ See CPI "Frequently Asked Questions" at: <http://www.bls.gov/cpi/cpifaq.htm> for more information.

Department of Housing and Urban Development (HUD) – A U.S. government agency created in 1965 by the Department of Housing and Urban Development Act (42 U.S.C.A. § 3532–3537). It is the principal federal agency responsible for programs concerned with housing needs, fair housing opportunities, and improving and developing U.S. communities.

Dependent – According to APCA Guidelines, a “dependent” is either a “qualifying child” or a “qualifying relative.” A qualifying child is a child (including stepchild, adopted child), or eligible foster child – i.e. minors), or a sibling (or stepsibling) of the taxpayer, or a descendant of either; who has resided in the principal abode of the taxpayer for at least 100 days out of the calendar year; who has not attained age 24 as of the end of the year); and who has not provided more than half of his or her own support for that year. A child who does not satisfy the qualifying child definition may be a “qualifying relative.”

Employee Housing Guidelines 2015 – Refers to the Aspen/Pitkin County Employee Housing Guidelines, Amended and Adopted October 2015.

Ownership Exclusion Zone – The area where ownership of improved residential real property or a mobile home is prohibited in order to be eligible to own or rent an APCA deed restricted unit. This is further defined in Appendix E – Ownership Exclusion Zone Map.

Resident Occupied Units (RO) – A classification of deed restricted housing intended to serve households earning incomes higher than Categories 1 – 7 but unable to afford free market housing. In practice, RO units often provide housing options for households earning within Category level incomes. RO deed restrictions do not limit the amount of household income and vary on household asset limitations.

Target Income Household – An identified segment of the workforce often defined in relationship to a particular income level or a range of incomes within a specified population. It is typically defined by a percentage of the Area Median Income, such as 80% AMI.

Qualified Adult – There is no clear definition of Qualified Adult in the APCA Guidelines, though there are several references to maintaining full-time work in Aspen/Pitkin County.

Consultant Team

The consultant team includes:

- Christine Walker, who brings almost 10 years of practical, in-the-trenches experience as Executive Director of the Teton County Housing Authority along with an education in architecture. She understands the complexities of running a housing program in high-cost mountain resort communities, including: program administration and housing occupant qualification, developing and managing affordable rental and deed restricted ownership housing units, and maintaining their operation over time in light of changing community needs and political challenges.
- Melanie Rees, a housing consultant who has helped high-cost communities understand their housing needs and create feasible, effective solutions to address them for 25 years. She is driven by a background in economic development and the recognition that workforce housing is crucial for economic success.
- Wendy Sullivan, a planner and attorney who has been helping communities identify and address their housing needs for about 15 years. In addition to her solution-oriented data organization and analysis skills, she can assess the many nuances in housing codes and program rules, identify potential unintended consequences and highlight practices that could be open to legal challenge.

Acknowledgements

We would like to thank all of those who have helped us and have given us their time and assistance. The information presented in this report is a union of data and numbers with the experiences and observations of those living in the community, both of which would not have been possible without such broad local participation. We have enjoyed working with APCHA, the City of Aspen, Pitkin County, its businesses and residents, and we appreciate the opportunity to work with communities that have a desire to understand and better serve the housing needs of local residents and the workforce.

Thank you to APCHA staff, APCHA Board members, Aspen City Council members, Pitkin County Commissioners, local and regional employers, realtors, property managers, lenders, and community stakeholders for your cooperation, participation and collaboration.

A special thank you to the staff, board, and membership of the Aspen Chamber Resort Association (ACRA) for their assistance in disseminating and participating in the Aspen/Pitkin County Employee Housing Survey.

ELECTED AND APPOINTED OFFICIALS

Aspen/Pitkin County Housing Authority (APCHA)

- Ron Erickson, Chair (City Appointee)
- Rick Head, Vice Chair (City Appointee)
- Marcia Goshorn, Director (County Appointee)
- Steve Stunda, Director (County Appointee)
- Renee West, Director (Joint City/County Appointee)
- Becky Gilbert, Director (Joint City/County Alternate)

City of Aspen Council

- Steve Skadron, Mayor
- Art Daly, City Council
- Adam Frisch, City Council
- Ann Mullins, City Council
- Bert Myrin, City Council

Pitkin County Board of County Commissioners

- Steve Child, Chair, District 4
- Rachel Richards, Vice Chair, District 2
- Patti Clapper, District 1
- Michael Owsley, District 3
- George Newman, District 5

Administration

- Steve Barwick, City Manager, City of Aspen
- Jon Peacock, County Manager, Pitkin County
- Barry Crook, Assistant City Manager, City of Aspen
- Mike Kosdrosky, Executive Director, Aspen/Pitkin County Housing Authority
- Cindy Christensen, Deputy Director, Aspen/Pitkin County Housing Authority
- Chris Everson, Affordable Housing Project Manager, City of Aspen

Section I – Examination of APCHA's Affordable Housing Program

Purpose

The information in this section establishes the context for the policy analysis presented in later sections by:

- Providing an overview of APCHA's Guidelines and its goals and objectives;
- Discussing the evolution of APCHA and present challenges;
- Summarizing APCHA's housing inventory; and
- Identifying the segments of the workforce that are both well-served and under-served by APCHA's current housing inventory and program.

By examining how the program and housing issues have evolved over time, current policy and inventory, and gaps in service of the APCHA program, this section helps frame the discussion for later sections by identifying where the program is effective and where policy changes may be needed to better meet program goals.

Housing Program

The housing program in Aspen/Pitkin County was created in 1974 as two separate entities – the City and County. The consolidated Aspen Pitkin County Housing Authority (APCHA) was later established in November 1982 for the purpose of:

...developing and managing housing projects pursuant to a multi-jurisdictional plan to provide residential accommodations at rental or sales prices within the means of persons of low-, moderate- and middle-income who are permanent residents and persons employed in the City and County.

An Intergovernmental Agreement (IGA) between the City of Aspen, Pitkin County and APCHA is utilized to define the relationship between and define roles of the three parties.² APCHA works directly with the City of Aspen and Pitkin County. The APCHA board of directors approves policy decisions on the housing program, but the Aspen City Council and the Pitkin County Board of County Commissioners (BOCC) may call-up the policy for review and revoke any approval by the APCHA board of directors.

² Currently, APCHA is operating under the Fifth Amended and Restated IGA dated December 18, 2013.

Employee Housing Guidelines 2015

At least every three years APCHA establishes guidelines that govern the development of and qualifications to occupy deed restricted affordable housing units for Aspen and Pitkin County. APCHA is currently working under the Aspen/Pitkin County Employee Housing Guidelines, Amended and Adopted October 2015 (referred to in this report as the Employee Housing Guidelines 2015). These guidelines support APCHA's goals and do not supersede City or County Land Use Codes.

Specifically, the Employee Housing Guidelines 2015 are used to:

- Provide information and establish policies and procedures for affordable housing development;
- Establish eligibility and qualification procedures for affordable units;
- Establish rental policies and procedures including rental rates;
- Establish purchase and sale policies and procedures including maximum sales prices;
- Set compliance and grievance policies and procedures; and
- Develop and prioritize current and long-range housing programs.

Housing Program Goal

The goal of the APCHA Housing Program has evolved over time, but has consistently focused on providing housing for persons either currently or previously employed in Pitkin County. The current goal, as stated in the Employee Housing Guidelines 2015 is:

To provide affordable housing opportunities through rental and sale to persons who are or have been actively employed or self-employed within Aspen and Pitkin County, and that provide or have provided goods and services to individuals, businesses or institutional operations, within Aspen and Pitkin County (prior to retirement and/or disability).

Broken into its primary components, APCHA housing should:

- Be affordable;
- Provide housing for diverse employees that serve the local economy; and
- Provide a mix of rental and purchase options.

Evolution of the Aspen Community and Resulting Housing Challenges

Stakeholders indicate that significant changes have occurred in the Aspen area over the past 40 years, such as housing costs that rose quickly to be some of the highest in the country, economic and residential growth, improved transportation infrastructure, and challenges encountered as Aspen approaches build-out.

APCHA's Housing Program has also evolved during this time to address the changing needs of residents and employees, as well as an aging housing stock and population. Over time:

- Affordability categories have been added.
- Deed-restrictions have been amended.
- Income requirements have been changed.
- New policies have been added to address gaps in policies, changing needs and shifting priorities.
- Existing policies have been amended.
- Guidelines have grown in size to address a variety of issues, and
- Personnel have been added to manage the larger inventory and increasingly complicated program.

The result is that a complex program has been created over many years, which makes management, public education and compliance challenging. Furthering these challenges is an antiquated data management system, an outdated website, and lack of comprehensive, real time understanding of the inventory.

"Guidelines have grown bigger
as issues have grown bigger"
APCHA Attorney

APCHA has also seen changes in its inventory of affordable housing during this time, presenting other concerns:

- The housing inventory has grown, along with diversity of housing types managed, increasing the complexity of keeping track of and monitoring the growing supply of units.
- The housing program has been asked to serve higher and higher household income levels, increasing the diversity and complexity of the product type and deed restrictions.
- Inventory is aging. Units that were built 20 or more years ago are posing new challenges in terms of capital needs, aging infrastructure, increased maintenance, and resale complications.
- Early concepts of affordable housing as a "step" into free market housing have not materialized. According to stakeholder interviews, the increase

in market prices of homes has rapidly outpaced growth in incomes over the last few decades, limiting opportunities for movement out of the affordable housing program. APCA is seeing limited mobility for families who outgrow their homes and older occupants remaining as they near or reach retirement, increasing pressure on the existing affordable housing stock.

Table 4. Year APCA Ownership Units Built

Year Built	# of Units
Before 1970	0.7%
1970-1979	7.9%
1980-1989	21.1%
1990-1999	25.3%
2000-2010	38.3%
2010-present	6.5%
TOTAL	100.0%

*Redeveloped units categorized based on redevelopment date.

**APCHA does not have specific data on year built for rental product. Stated some units built in the 1960's, some in the late 1980's, and some in the late 1990's early 2000's.

Source: APCA and City of Aspen Community Development Department

Inventory of Units

APCHA oversees 2,931 units. This figure includes any unit with a deed restriction recorded, some of which are owned and/or managed by other entities. There are additional units for employees in the community that are provided by employers, and not included in this analysis.

The APCA units are classified into seven different Categories, based on a household's income and assets, and Resident Occupied (RO). Category 1 serves the lowest income level and Category 7, the highest. RO units are intended to fill the gap between Category 7 and the free-market and have no income limits, but impose an asset cap. The Category system is used for both owner and rental units; however, there are no rental units in levels 5-7 at this time.

Although intended to target higher household incomes, a large portion of the RO units are priced for households earning within Category income ranges. With the ownership product, this is primarily the result of the product type, as many of these RO units are the result of converting mobile homes to employee housing and have lower price points. The RO rentals are mainly units managed by large employers that rent at lower rates to their employees.

Until 2002, the Guidelines contained only Categories 1 through 4 and RO, at which time Categories 5 through 7 were added.

All deed-restricted housing, of any type or Category, requires an individual to:

- Work or have worked full-time in Pitkin County;
- Use their home as their primary residence; and
- Not own any other developed property within the Ownership Exclusion Zone (OEZ).³

The below table shows how APCA's inventory is distributed based on Category and number of bedrooms for ownership and rental units combined. As shown below:

- The bulk of APCA's inventory are in Categories 1 through 4 and RO, with a comparative handful of units (91 total) in Categories 5 through 7;
- About 40% of APCA's inventory are smaller units: studios or 1-bedrooms and dorms. These smaller units tend to provide viable options for single persons; and
- Detached single-family homes make up 22% of the inventory, but are predominately RO units and unaffordable to most households earning under \$200,000 per year.⁴ These units are larger on average than the attached product (47% of the known inventory are 3-bedroom homes⁵) and are primarily targeted to families.

Table 5. APCA Inventory of Deed Restricted Housing⁶

	Category									
	1	2	3	4	5	6	7	RO	TOTAL	
Attached Units:										
Studio	49	75	88	20	0	0	0	91	323	11%
1-bedroom	30	220	202	84	2	2	0	39	579	20%
2-bedroom	21	145	232	207	3	1	0	151	760	26%
3-bedroom	2	47	118	127	14	5	4	29	346	12%
Dorm Units	15	5	12	21	0	0	0	218	271	9%
Detached Units:										
Single-Family	1	1	29	97	0	60	0	464	652	22%
Subtotal:	118	493	681	556	19	68	4	992	2931	100%
	4%	17%	23%	19%	1%	2%	0%	34%	100%	

Source: APCA and City of Aspen Community Development Department

³ See Appendix E for Ownership Exclusion Zone (OEZ) map.

⁴ See Section 3 – Affordability for more information.

⁵ Bedroom sizes are known for 37% of the single-family inventory: 253 single-family homes out of 649 total.

⁶ This inventory table shows the distribution of APCA units by Category and RO classification, not price point. See Section 2 – Income & Assets & Categories for a table which distributes RO units based on their price into the respective Categories.

Ownership Units

Ownership housing makes up 55% of APCA's total inventory. As shown below:

- The majority of Category 1 and 2 units are 1-bedroom or smaller. Few 3-bedroom units are available for lower income families.
- Category 3 and 4 offer more larger-sized homes (3- and 4-bedrooms).

Table 6. APCA Ownership Inventory

	Category							RO	TOTAL	
	1	2	3	4	5	6	7			
Attached Units:										
Studio	2	9	10	17	0	0	0	0	38	2%
1-bedroom	9	93	77	79	2	2	0	6	268	17%
2-bedroom	7	61	62	187	3	1	0	29	350	22%
3-bedroom	1	26	75	123	14	5	4	22	270	17%
4-bedroom	0	5	2	21	0	0	0	5	33	2%
Detached Units:										
Single-Family	1	1	28	97	0	60	0	462	649	40%
Subtotal:	20	195	254	524	19	68	4	524	1608	100%
	1%	12%	16%	33%	1%	4%	0%	33%	100%	

Source: APCA and City of Aspen Community Development Department

Rental Units

The rental inventory makes up 45% of APCA's inventory with the bulk of this serving as long-term rentals. About 15% of all APCA rentals (199 units) provide housing for seasonal workers. Other Employers in the valley supplement APCA's rental inventory. Of note, the Aspen Skiing Company adds about 600 seasonal beds located throughout the Roaring Fork Valley, which are not included in this analysis.

As shown below:

- The majority (64%) of APCA's rental units are smaller in size: dorms, studios, and 1-bedrooms.
- About 1/3 are 2-bedroom units and only 6% have three bedrooms.
- The percentage of 2-bedroom units is small compared to that typically seen in most housing markets. For example, in Pitkin County, about 34% of renter-occupied homes are 2-bedroom units (based on 2010-2014 ACS).

Table 7. APCA Rental Inventory

	Category								
	1	2	3	4	5	6	7	RO	TOTAL
Attached Units:									
Studio	47	66	78	3	0	0	0	91	285 22%
1-bedroom	21	127	125	5	0	0	0	33	311 24%
2-bedroom	14	84	170	20	0	0	0	122	410 31%
3-bedroom	1	21	43	4	0	0	0	7	76 6%
Dorm Units	15	0	10	0	0	0	0	213	238 18%
Detached Units:									
Single-Family	0	0	1	0	0	0	0	2	3 0%
Subtotal:	98	298	427	32	0	0	0	468	1323 100%
	7%	23%	32%	2%	0%	0%	0%	35%	100%

Source: APCA and City of Aspen Community Development Department

Comparison of APCA Residents and Pitkin County Working Households

This section uses information from the employee survey to compare the demographics of employee households residing in APCA housing to households employed in Pitkin County overall. Results are shown both for owner and renter households. The purpose of this section is to understand how well APCA's inventory of both ownership and rental units are meeting employee needs and which segments of the workforce may be adequately served or under-served by APCA's housing in relationship to all Pitkin County working households.

In interpreting the data for this section:

- Where the percentage of households within a certain demographic (e.g. couples with children) that are occupying APCA units is *lower* than that for employee households overall, this means that APCA units are under-serving this population.
- Where the percentage of households within a certain demographic (e.g. adults living alone) that are occupying APCA units is *higher* than that for employee households overall, this means that APCA units are over-serving this population.
- If APCA is serving the same mix of households as those that are employed in Pitkin County in total, then the percentage of APCA occupants for any demographic will approximately equal that for employed households overall.

Household Demographics

The results from comparing the demographics of APCHA working households to all Pitkin County working households are summarized in the below table. This creates an easy reference to understand which households are being well-served by APCHA housing and which segments are currently under-served for both owner and renter households. The complete data from the survey supporting the conclusions from this section are located in Appendix A, including a description of the analysis methodology, tables, charts and observations.

Table 8. Representation in the APCHA Program

OWNER HOUSEHOLDS	Under-Represented (under-served)	Over-Represented (well-served)
Household Composition	Couples	Adults living alone
	Couples with children	Single parent families
Household Size	2+ person households	1-person households
Age of household members	No age groups under-represented	No age groups over-represented
Household income	\$100,000 to \$200,000 per year	\$25,000 to \$75,000 per year
Years worked in Aspen/Pitkin County	1 to 3 years	20 or more years
RENTER HOUSEHOLDS	Under-Represented (under-served)	Over-Represented (well-served)
Household Composition	Couples	Adults living alone
	Couple with children	Unrelated roommates
Household Size	3+-person households	1-person households
Age of household members	Children age 17 or under	None
Household income	\$25,000 to \$75,000	Under \$25,000
		\$75,000 to \$100,000
Years worked in Aspen/Pitkin County	Under 7 years	8-years or more

Note: The degree to which households are under or over-represented vary. Additional information can be found in Appendix A.

Source: Employee Housing Survey 2015

Housing Costs

APCHA homes are more affordable than units occupied by employed households in total. As shown below:

- The average monthly mortgage payment of APCHA owners is over \$400 less than all owners.
- The average monthly rent of APCHA renters is about \$260 less than all renters. Monthly utility payments are also lower for both owner and renter APCHA households.
- The only expense that is higher for APCHA occupants is the average monthly HOA dues for homeowners (about \$50 more per month). This is likely due to the high number of attached housing units where HOA dues include maintenance of the exterior and common spaces.

Table 9. Housing Costs

Type	Owners		Renters	
	Households Employed in Pitkin County	Employed APCHA Households	Households Employed in Pitkin County	Employed APCHA Households
Monthly Rent/Mortgage				
Under \$500	2%	3%	4%	4%
\$500 to \$699	3%	8%	8%	7%
\$700 to \$999	10%	22%	17%	30%
\$1,000 to \$1,249	13%	20%	16%	21%
\$1,250 to \$1,499	14%	17%	13%	11%
\$1,500 to \$1,749	14%	12%	14%	14%
\$1,750 to \$1,999	9%	5%	10%	7%
\$2,000 to \$2,499	16%	5%	10%	5%
\$2,500 to \$2,999	9%	3%	6%	1%
\$3,000 to \$3,999	7%	4%	3%	0%
\$4,000 or more	2%	1%	0%	0%
Avg Monthly Rent/Mortgage	\$1,800	\$1,386	\$1,460	\$1,202
Average Monthly Utilities	\$227	\$182	\$179	\$132
Average Monthly HOA	\$238	\$286	N/A	N/A

*Totals may not add to 100% due to rounding.

Source: Employee Housing Survey 2015

Cost Burdened

Households paying less than 30% of their income for rent or mortgage are generally considered to be in housing that is affordable.⁷

As shown below:

- APCA housing is generally more affordable to its occupants than employee households in total, which is a positive alignment with the program goal of affordability.
- An estimated 23% of renters in APCA housing, however, are cost-burdened by their housing payment. This primarily affects households earning under \$50,000 per year. This is explored in more detail in Section 3 – Affordability.

Table 10. Cost Burdened

	Owners		Renters	
	Households Employed in Pitkin County	Employed APCA Households	Households Employed in Pitkin County	Employed APCA Households
Under 30%	81%	90%	72%	77%
30% to 39%	9%	7%	14%	14%
40% to 49%	4%	2%	5%	2%
50% or more	7%	1%	9%	6%

*Totals may not add to 100% due to rounding.

Source: Employee Housing Survey 2015

Work Location

- All employed APCA households have at least one employee in Pitkin County, with 93% of households having a member that works in Aspen. Only 7% of households also have a worker that holds a job outside of the county. A very small percentage report having a remote worker – one that lives in the area and works outside of the region (less than 2%).
- Households with at least one employee in Pitkin County in total are more likely to have workers in their household that hold jobs outside of Pitkin County (21%) than employed APCA households (7%).

⁷ See Introduction (Definitions) and Section 3 – Affordability for more information on this definition.

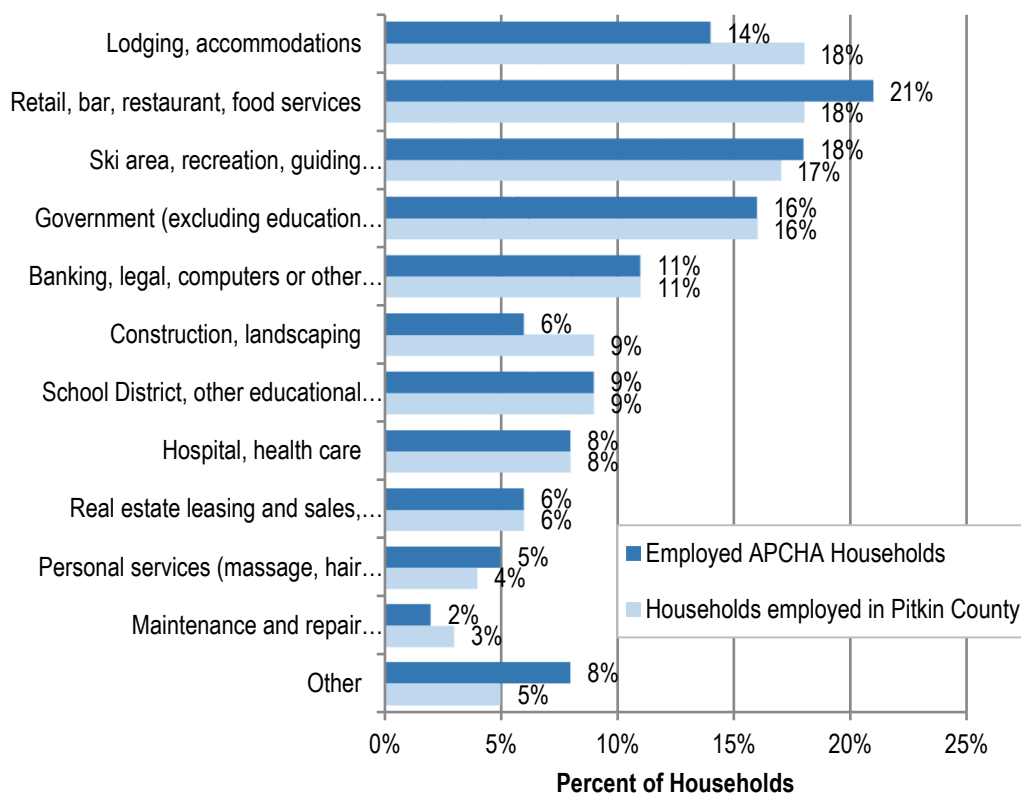
Table 11. Where do you and others in your household work?

	Households Employed in Pitkin County	Employed APCHA Households
Aspen	86%	93%
Snowmass Village	14%	12%
Woody Creek or Old Snowmass	3%	3%
Basalt	7%	4%
El Jebel	3%	1%
Carbondale	9%	2%
Glenwood Springs	6%	2%
New Castle, Silt, Rifle or Parachute	1%	0%
Other	2%	2%
TOTAL	132%	117%

**Totals exceed 100% due to multiple job holding and employees working in multiple locations.
Source: Employee Housing Survey 2015*

Type of Industry

The mix of workers employed in each sector in APCHA housing is very similar to that for employee households in total in Pitkin County. Slightly fewer APCHA occupants are employed in “lodging, accommodations” and “construction, landscaping” and slightly more are in “retail and food services” than represented by employed households in total. Overall, APCHA housing is serving a wide range of workers in all industry sectors in the County.

Figure 1. The Type of Industry for Which You and Others in Your Household Work

*Total adds to over 100% due to multiple workers and multiple job-holding.

Source: Employee Housing Survey 2015

Local Lending Environment

APCHA encourages buyers to use local lenders, as they understand the terms and conditions of the deed restrictions encumbering the property.

There are over 20 local lenders familiar with deed-restricted properties in Pitkin County, and they offer a variety of mortgage products to APCHA purchasers, including but not limited to conventional, FHA, VA, CHFA, fixed rate, and adjustable-rate mortgages (ARMs). Loans are often sold to the secondary market (Fannie Mae or Freddie Mac), but many are "portfolio" loans where the bank holds onto the loan, keeping it in their investment portfolio.

Portfolio loans are typically adjustable rate mortgages (ARMs). ARMs usually start with a lower initial interest rate, which then increases by a specified index after 3 to 7 years, unlike a fixed-rate mortgage, which maintains the same interest rate over the life of the loan.

Despite the long-term risk for homeowners associated with ARMs, lenders stated several reasons why portfolio loans may sometimes be preferred:

- 1) APCHA homes that are in mixed-use projects cannot be sold to the secondary market;
- 2) Lower initial interest rate lowers the monthly payment, which may allow buyer to meet debt to income ratio qualification;
- 3) Some buyers do not plan to reside in units for more than 5 or 10 years; and
- 4) Buyer preference.

The lenders sometimes work with potential buyers before applying for a home through APCHA, but it is more common that lenders help a potential buyer after they have “won” a lottery. Lenders rely on APCHA to determine the sales price and the lenders are responsible for qualifying the buyer for a loan product. Lenders report that while there are a number of common challenges with buyers in the APCHA programs, very few buyers are ultimately denied a loan.

When qualifying buyers for APCHA units, lenders noted:

- Buyers often have student debt;
- Buyers tend to have little for a down payment (e.g. 5% or less), and as many as 50% of APCHA buyers receive down payment gifts from parents;
- Loans available to buyers have down payment requirements ranging from 0 to 20%; and
- High HOA dues are challenging when trying to qualify for a loan.

SECTION 2 – Income, Assets and Categories

Purpose

APCHA sets income and asset caps for up to eight Categories of affordable housing units. This section:

- Presents APCHA's current income and assets caps for each housing Category and its methodology for updating Category incomes each year;
- Reviews APCHA's system for measuring household income and assets when qualifying households to buy or rent units;
- Compares APCHA's system for setting, updating and measuring incomes and assets within each Category to relevant federal systems and peer communities; and
- Discusses the effect of the income and assets caps and income updates on potential housing applicants within each Category and their ability to qualify for housing.

Based on the findings from this analysis, recommendations are made on changes to APCHA's current income, asset and Category system that could help APCHA better meet its housing goals.

APCHA Income Limits by Category

Income maximums for each Category of housing differ depending upon whether a household is applying for a rental or ownership unit. This divergence occurred at some point in the program to distinguish between roommate situations in rentals and families in for-sale housing. This is unique among affordable housing programs in peer communities, which all use a single standard based on household size.

Current income maximums are derived based on an inexact combination of the following information:

- A Housing Survey of Pitkin County Employees in 1999 for median income information (e.g., \$60,000 per household with 0 – 1 dependent);
- Colorado Department of Labor and Employment wages and employment reports;
- US Census Bureau data;

- Annual Expenditure Per Child report and U.S. Flow of Funds Accounts report; and
- Department of Housing and Urban Development data sets.

These baseline incomes were produced in 2002 and would be difficult and costly to reproduce.

Maximum Renter Incomes

- Rental units are only provided for Categories 1 through 4.
- Rental income maximums are based on the number of *adults* in a household. The scaled wages based on the increasing number of adults in a household is intended to capture multiple wage earners. For example, in Category 1, a one-adult household can earn up to \$35,000 per year whereas a two-adult household can earn up to \$52,000.

Table 12. Rentals: Maximum Income Limits, 2015

No. of Adults	Category			
	1	2	3	4
One Adult	\$35,000	\$56,000	\$88,000	\$145,000
Two Adults	\$52,000	\$81,000	\$133,000	\$215,000
Three Adults	\$62,000	\$96,000	\$156,000	\$252,000

Source: *Employee Housing Guidelines 2015*

Maximum Owner Incomes

- Ownership units are provided for Categories 1 through 7, plus RO.
- Ownership income maximums are based on the number of *dependents* in a household. As the number of dependents increases, maximum incomes for each Category also increase to reflect larger families, but to a lesser extent than the “adult” calculation for rentals. For example, in Category 1, a zero-dependent household can earn up to \$35,000 per year whereas a one-dependent household can earn up to \$42,500.

Table 13. Ownership: Maximum Income Limits, 2015

# of Dependents	Category			
	1	2	3	4
0 Dependents	\$35,000	\$56,000	\$88,000	\$145,000
1 Dependent	\$42,500	\$66,500	\$95,500	\$152,500
2 Dependents	\$50,000	\$71,000	\$103,000	\$160,000
3+ Dependents	\$57,500	\$78,500	\$110,500	\$167,500

# of Dependents	Category			
	5	6	7	RO
0 Dependents	\$155,000	\$169,000	\$186,000	NA
1 Dependent	\$162,500	\$176,500	\$193,500	NA
2 Dependents	\$170,000	\$184,000	\$201,000	NA
3+ Dependents	\$177,500	\$191,500	\$208,500	NA

Source: Employee Housing Guidelines 2015

Aspen's income categories are unique. APCA utilizes an approach that adjusts the income limits each year by the Consumer Price Index (CPI) capped at 3%, which is not linked to changes in incomes or housing affordability. Most affordable housing programs instead tie income categories to the Area Median Income. Annual updating is a simple process using the change in the AMI, which is calculated by HUD.

APCHA Income Maximums Translated to Area Median Income (AMI)

Area Median Income (AMI) Defined

AMI is published annually by the U.S. Department of Housing and Urban Development (HUD) for each county and represents the median family income of an area. This means that the AMI does not incorporate incomes from non-family single and roommate households, which make up 52% of households residing in Pitkin County. As a result, the AMI will generally be higher than the median income of all households.

Pitkin County – 2015

- Median income for households with a Pitkin County employee = \$87,500
- HUD Area Median Income = \$97,200

The AMI varies by household size. The median (or middle) family income estimate in an area generally falls on or near the 100% AMI rate for a family of four. In Pitkin County, for example, the AMI in 2015 is \$97,200. The 100% AMI level is the “middle” income for a given family size: 50% of family households make more than that amount, and 50% make less than that amount.

Income levels are expressed as percentages of that AMI number, such as 80% AMI. HUD uses a range of income levels to define four categories as follows:

- *Extremely Low Income* – At or below 30% AMI
- *Very Low Income* – Between 31% and 50% AMI
- *Low Income* – From 51% to 80% AMI
- *Moderate Income* – From 81% to 100% AMI

HUD income limits are used to set income limits and rents for public housing and affordable rental programs in peer communities to determine income eligibility for access. The AMI categories are designed to capture a particular group of underserved households, such as households earning under 50% AMI. The particular group identified is sometimes referred to as the target household income level or “target income household.”

Calculation of AMI

In contrast to APCA's calculation system, HUD calculates income limits based on the number of persons per household. HUD uses a combination of US Census, American Community Survey (ACS) and CPI information to update incomes and makes adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships. Pitkin County AMI by household size for 2015 is shown below:

Table 14. 2015 HUD AMI - Pitkin County

AMI	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$20,500	\$23,400	\$26,340	\$29,250	\$31,600
50%	\$34,150	\$39,000	\$43,900	\$48,750	\$52,650
80%	\$47,400	\$54,200	\$60,950	\$67,700	\$73,150
100%	\$68,300	\$78,000	\$87,800	\$97,500	\$105,300
120%	\$81,960	\$93,600	\$105,360	\$117,000	\$126,360
140%	\$95,620	\$109,200	\$122,920	\$136,500	\$147,420

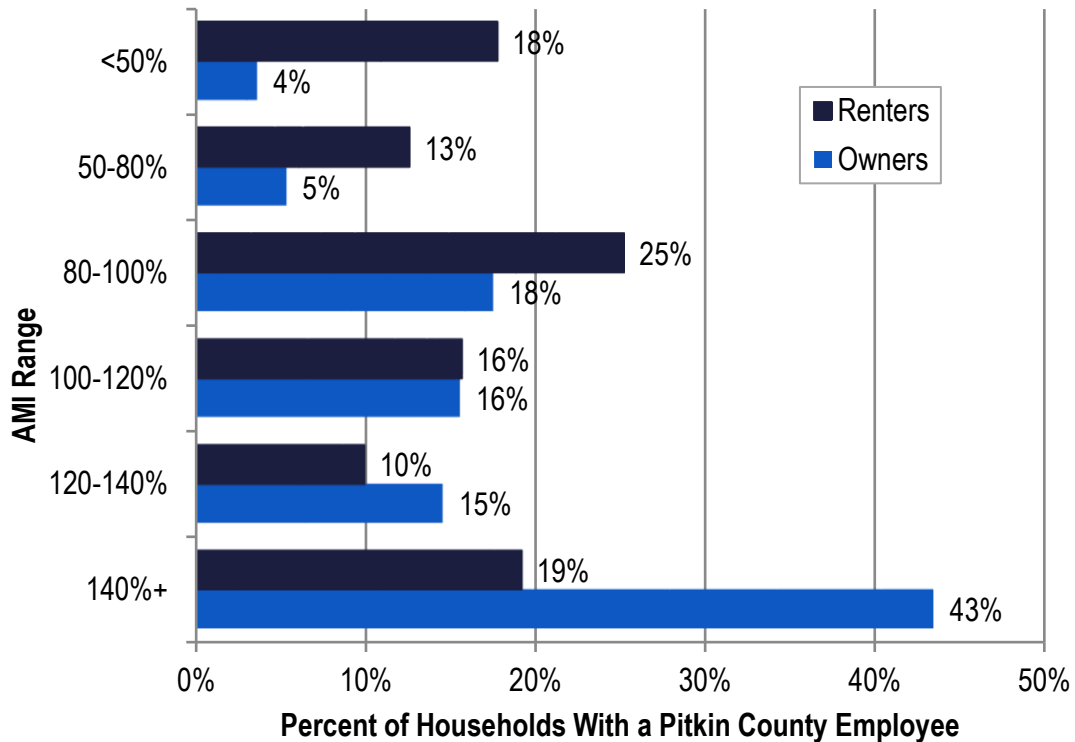
Source: Dept. of Housing and Urban Development

Households With a Pitkin County Employee by AMI

When considering housing programs related to AMI, it is helpful to understand the distribution of households within the AMI categories. The distribution of owners and renter households with a Pitkin County employee show that:

- A higher percentage of renters earn below 100% AMI than owners, which is typical.
- Similarly, owner are more likely to earn incomes over 120%. A high percentage (43%) earn over 140% AMI.
- A fairly high percentage of renters earn over 140% AMI than is seen in many peer communities.

Figure 2. Households With a Pitkin County Employee by AMI: 2015



Source: Employee Housing Survey 2015

APCHA Categories Expressed as AMI

APCHA's program is designed to serve households earning from low-income through upper-middle income households. HUD defines alternative categories, as shown below:

Table 15. APCHA and HUD Defined Income Levels

APCHA Category	Target Household Income Level	HUD AMI Category	Target Household Income Level
Category 1	Low-income	30% AMI	Extremely low
Category 2	Lower moderate	30 to 50% AMI	Very low
Category 3	Upper moderate	50 to 80% AMI	Low-income
Category 4	Middle income	80 to 100% AMI	Moderate
5, 6, 7 and RO	Upper middle	120% AMI	Medium or middle

Source: Employee Housing Guidelines 2015; HUD; Consultant team

It is not possible to directly translate APCHA's current Category system into HUD AMI ranges; however, AMI percentages can be estimated for each Category using some basic assumptions and information from the 2015 Employee Survey, which is discussed in detail in Appendix B.⁸ AMI estimates for each Category are presented in Table 15, below. As shown, each Category of APCHA's rental and ownership housing serve very different AMI ranges:

- The ownership product is serving lower AMI levels compared to the rental product. This is unusual as housing programs generally target lower income ranges with rental product compared to ownership. Further, they use the same AMI breakouts for ownership and rental Categories, as there is overlap. For example, households in the middle-income range are both financially capable and interested in renting or buying.
- The AMI range of rental households served by Category 4 (about 150% to 240% AMI) encompasses the range of ownership households served by Categories 5 through 7 combined.
- Ownership AMI ranges nearly coincide with HUD defined categories (see Table 15, above) for Categories 1 through 4:
 - Category 1 (50% AMI) equates to HUD very low-income,
 - Category 2 (84% AMI) slightly exceeds HUD low income,
 - Category 3 (114% AMI) is just above HUD moderate income and
 - Category 4 (184% AMI) serves HUD medium or middle incomes and above.

⁸ Appendix B presents several reasons why APCHA's system cannot be directly translated to an AMI system and provides support for the methodology used to estimate AMI percentages by Category, presented herein.

Table 16. Estimated Upper AMI Limit for Each Category: 2015

	Rentals	Ownership		Rentals	Ownership
Cat 1	62%	50%	Cat 5	NA	196%
Cat 2	95%	84%	Cat 6	NA	213%
Cat 3	147%	114%	Cat 7	NA	234%
Cat 4	240%	184%			

Note: See Appendix B for more detail on the methodology for these tables.

The upper limit AMI represents the weighted average of the AMIs for the average sized household within each adult or dependent-sized Category residing in APCA units for each Category of rentals.

Considerations for Transitioning to an AMI-Based Program

Because the current system cannot be directly translated into HUD AMI ranges, any transition will affect existing conditions (such as deed restrictions and leases), current and future households served, and income, rent and sale prices within Categories. These tradeoffs need to be considered in light of the numerous advantages that a simpler program based on AMI could serve over the long term. As APCA considers moving its program to an AMI system, several factors need to be considered:

- **Simplicity.** The different household income targets and inconsistent AMI levels between the owner and renter programs are highly unusual for a housing program. It complicates program administration by adding complexity to the program and is confusing to applicants. Setting a consistent AMI level allows the ability to track program performance based on Categories and in relationship to other housing programs.
- **Transparency and Consistency.** Because HUD AMI data is from a trusted source, its methodology is readily available and well documented, its use is consistent with federal housing programs and multiple funding sources, and figures are updated yearly, this is the predominate income source used by peer communities for their housing programs. By linking income limits to HUD AMI, this also ensures that the target income households for its housing programs remain constant over time.
- **Ease of transition.** It is preferable to port the ownership program to an AMI system that closely represents the current mix of households being served. This will minimally affect sales prices and associated rights of owners. There is greater flexibility for change with the rental product, as it is easier to change a lease agreement (renters) compared to a recorded deed restriction (owners). APCA also has a recertification policy in place to

allow renters to remain in existing rental units that earn incomes up to 20% higher than the limit.

- Portability. An AMI system is consistent with Federal housing programs and multiple funding sources. Because peer communities use it, APCA could more easily evaluate the performance of its housing programs relative to similar programs. Current AMI equivalent categories for ownership are also similar to defined HUD income classifications, which would be maintained over time.
- Program goals. A primary goal is to provide housing affordable to the Pitkin County workforce. Owners are well represented by existing AMI ranges, whereas renters are currently underserved in the lower AMI ranges and experience a higher incidence of cost burden. Shifting rental Categories to the lower AMIs of owner Categories will help to address these issues.

The below table shows how the income ranges for each Category for owners and renters would be affected by moving to an AMI system based on the estimated upper AMI limit for owners. It compares the current income maximums for each adult and dependent-sized household within each Category to the maximum income for a one-person up to a five-person household for the HUD AMI range. As shown:

- Overall, little shift is seen in the maximum and minimum income ranges for both ownership and rentals in Category 1.
- Category 2 and 3 show modest income changes, with more significant shifts seen in Category 4 and higher, particularly on the upper end.
- Aside from shifts in the income amounts, because HUD incomes are based on household size, some existing renters and owners within the current program will now qualify for different Categories. For example, under Category 1, a three-adult, three-person household earning \$62,000 is equivalent to 81% AMI – this household will be in Category 2 under the new system. Appendix B has tables showing these AMI levels, which can be helpful to understand these changes.

Table 17. Estimated AMI Range by APCA Category: 2015

	Cat 1	Cat 2	Cat 3	Cat 4	Cat 5 (5-7)
AMI Range:	20% - 50%	51% - 85%	86% - 115%	116% - 185%	186% - 235%

NOTE: The calculated upper AMI limit has been adjusted to the nearest 5%.

Table 18. Maximum Income Based on Size Category: Current Compared to Proposed AMI (2015)

Program	Household size Category	Cat 1 <50% AMI	Cat 2 50.1- 85%	Cat 3 85.1-115%	Cat 4 115.1-185%	Cat 5-7 185.1 – 235%
Current Rental	1-adult	\$35,000	\$56,000	\$88,000	\$145,000	NA
	3-adult	\$62,000	\$96,000	\$156,000	\$252,000	NA
Current Ownership	0-dep	\$35,000	\$56,000	\$88,000	\$145,000	\$155,000
	3+ dep	\$57,500	\$78,500	\$110,500	\$167,500	\$177,500
Proposed AMI	1-person	\$34,150	\$48,445	\$78,545	\$126,355	\$160,505
	5-person	\$52,650	\$74,758	\$121,095	\$194,805	\$247,455

NOTE: The calculated upper AMI limit has been adjusted to the nearest 5%.

Measuring Income

APCHA Standards

APCHA measures the income of households that apply for housing to establish the Category of unit for which a household can qualify. Resident Occupied units, have no defined income caps, but must demonstrate that at least 75% of household income is earned in Pitkin County.

To measure income, APCHA verifies the combined gross income of a prospective household that wishes to qualify to purchase or rent an APCHA program unit. Combined gross income includes the income of all individuals that will be occupying the unit regardless of marital or legal status. Gross income is generally defined as:

The total income of a person including maintenance and child support, derived from a business, trust, employment, or income-producing property, before deductions for expenses, depreciation, taxes, and similar allowances.

Income is measured at the time of initial purchase, and at subsequent sale or transfer for APCHA categorized units. For rental units, income is measured at time of initial lease and every two years. In re-qualifying to rent, a 120% adjustment to the maximum income amount in the respective Category is allowed. This means that an existing tenant can earn up to 20% more than the maximum income permitted and remain in that unit.

Federal Standards

Income is measured in a variety of ways depending upon the purpose of its measurement and the program to which it applies. Standards for two federal purposes are discussed below:

- Income to determine poverty status, and
- Income for public housing qualification

Poverty Income. The poverty threshold, or poverty line, is intended to show the minimum level of resources that are adequate to meet basic needs. The official poverty measure was developed in the early 1960's and its calculation has since remained largely unchanged. The official measure includes cash income from all sources, including wages and salaries, Social Security benefits, interest, dividends, pension or other retirement income.

The program has been criticized for failing to exclude necessary expenses, such as taxes, health care, commuting costs and child care expenses while parents work, while also failing to include non-cash income from benefits received to help families meet their basic needs, such as food stamps. A supplementary poverty threshold (SPM) has been calculated since 2010 that takes into account non-cash government benefits and necessary expenses. In 2012, the supplemental poverty rate was slightly higher than the official poverty rate.

Public Housing Income. Income for the purpose of qualifying households for public housing is established in 24 C.F.R. § 5.609 and requires Public Housing Authorities to consider all amounts that contribute to the families' annual income. This includes for example gross wage and salary income, overtime pay, tips and bonuses, interest, dividends, Social Security, alimony, and child support. Not included are lump-sum additions to income from, for example, inheritance, capital gains, and insurance payments; nonrecurring income from gifts; and assistance from some programs, such as food stamps.⁹ Many of the items listed as exclusions from annual income under HUD requirements are items that the IRS includes as taxable income.

⁹ See Form HUD-50058 Instruction Booklet, "Income and Exclusions Chart," pp. 25-32 for more detail.

Table 19. HUD Income Compared to APCA Income Inclusions

INCLUDED in HUD Income	APCHA Program
Wage, salary, tips, bonuses (employment pay)	Yes
NET Income from operation of business or profession (income minus business expenses, loan interest, depreciation)	Yes
Interest, dividends, income from real or personal property	Yes
Periodic amounts <i>received from</i> SSI, pension, retirement funds, annuities, disability or death benefits, insurance policies, etc.	Yes
Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay	If applicable
Welfare and other public assistance payments	If applicable
Regular cash or noncash contributions and gifts from one not residing in the residence	Yes
Alimony or child support	Yes
EXCLUDED from HUD Income	
One-time/temporary income, including gifts	Yes
Contributions paid directly to a child care provider by persons not living in the unit	No
Value of food provided through meals on wheels, food stamps, school lunch act, WIC, etc.	Typically not applicable

Source: HUD Occupancy Handbook, 4350.2 REV-1, Chapter 5: Determining Income & Calculating Rent

HUD does permit households to adjust their income downward with up to five possible deductions, including:

- A deduction for dependents
- A child care deduction
- A disability assistance deduction
- An elderly/disabled family deduction, and
- A deduction for unreimbursed medical expenses

These deductions are designed to assist families with higher costs due to family circumstances. APCA does not add similar deductions.

Interviews with APCA staff brought up challenges with calculating income, an outcome of the resort economy where holding multiple and seasonal jobs is common. The primary concern was capturing under-reporting of tip or cash income, an issue not unique to Aspen.

APCHA Asset Limits by Category

APCHA Asset Maximums

Along with income maximums, households must also fall below established net asset caps established for each Category. Asset limits serve several purposes, such as testing a potential buyer's need to purchase a deed restricted home (e.g., identifying trust-fund recipients) and limiting the resale price of affordable homes, particularly if a price appreciation cap on the unit is not in place.

The net asset caps shown in the below table for each Category were established in 2002 and have remained unchanged since that time. Although incomes are adjusted each year based on CPI capped at 3%, the maximum asset remains the same each year. Generally households cannot qualify for APCHA housing if net assets exceed the maximum amounts permitted for the respective Category of housing, with some exceptions.¹⁰

Because asset caps were also added to RO units in 2002, the majority of these units are not subject to the \$900,000 asset cap. There are currently 520 RO homes, approximately 23% of which (120 total) are affected by the \$900,000 asset limitation.

Table 20. Net Asset Cap: 2015

Category				
	1	2	3	4
Net Asset Cap	\$100,000	\$125,000	\$150,000	\$175,000

Category				
	5	6	7	RO
Net Asset Cap	\$200,000	\$225,000	\$250,000	\$900,000

Source: Employee Housing Guidelines 2015

While financial asset caps are not unique, they are not as common among peer communities as income limits. Peer communities have found that having employment provisions that require a large percentage of income to be earned locally eliminates the need for asset caps.

The Effect of APCHA's Asset Limits

Evaluating asset caps by Category, we see that as incomes increase, the asset caps have the effect of excluding a progressively higher percentage of

¹⁰ Please see Aspen/Pitkin County Employee Housing Guidelines (Oct. 2015), Part IV APCHA Eligibility and Qualification, for more information.

households within each income range from qualifying for their respective Category. In total, about 36% of households employed in Pitkin County that otherwise earn within targeted APCHA income ranges exceed specified asset limits.

Table 21. Assets of Households Employed in Pitkin County by Income: 2015

Household Assets:	Household Income Range:							TOTAL
	Under \$25,000	\$25 to 49,999	\$50 to 74,999	\$75 to 99,999	\$100 to 149,999	\$150 to 199,999	\$200,000 or more	
Less than \$100,000	86%	78%	64%	60%	37%	22%	7%	50%
\$100,000 - \$124,999	9%	6%	5%	5%	9%	10%	10%	7%
\$125,000 - \$149,999	0%	4%	5%	3%	6%	3%	4%	4%
\$150,000 - \$174,999	0%	1%	2%	4%	2%	5%	2%	3%
\$175,000 - \$199,999	1%	1%	4%	2%	3%	6%	4%	3%
\$200,000 - \$224,999	0%	1%	2%	2%	5%	5%	2%	3%
\$225,000 - \$249,999	0%	0%	3%	3%	3%	0%	0%	2%
\$250,000 - \$299,999	0%	4%	4%	3%	5%	6%	7%	4%
\$300,000 - \$399,999	0%	1%	2%	4%	6%	3%	5%	3%
\$400,000 - \$499,999	0%	0%	2%	3%	5%	9%	5%	4%
\$500,000 - \$599,999	0%	0%	1%	2%	5%	6%	3%	3%
\$600,000 - \$699,999	1%	1%	2%	2%	2%	5%	1%	2%
\$700,000 - \$799,999	0%	0%	1%	2%	1%	1%	8%	2%
\$800,000 - \$899,999	0%	0%	1%	0%	3%	7%	0%	2%
\$900,000 - \$999,999	0%	0%	0%	0%	1%	2%	3%	1%
Over \$1,000,000	3%	1%	2%	4%	6%	11%	39%	7%
General Category:	Cat 1	Cat 1	Cat 1 to 2	Cat 2 to 3	Cat 3 to 4	Cat 4 to 6	RO	-
Percent excluded:	14%	21%	31%	31%	45%	50%	42%	36%

Note: Shading denotes households with assets that are too high to qualify for the respective Category.

*The table presents conservative estimates of the percentage of excluded households in each category based on firm application of the asset caps. For example, for incomes that cross Category 1 and Category 2, the above assumes that only households with assets above Category 2 asset limits will be excluded, even though in actuality some households earning Category 1 incomes and exceeding the lower Category 1 asset limits would also be excluded.

Source: Employee Housing Survey 2015

Several interview and survey comments pointed to the \$900,000 cap for RO units as an issue. Households earning over \$200,000 per year are largely excluded from all but RO units based on existing income caps for the other Categories. As shown above, about 42% of these households have over \$900,000 in assets. In total, however, this comprises no more than about 8% of all working households and less than a quarter of these households are interested in purchasing from APCHA. In other words, few households are excluded from the program based on this asset limitation.

Interview comments also revealed that some households with lower incomes, but higher than allowed assets are denied access even though they meet all other criteria. There was a feeling of “being punished” for saving and rewarding those that do not save.

To help address this, APCHA has a unique clause that allows a household with lower incomes but assets above the cap to treat a portion of their assets as income to enable them to qualify for certain Category units. This exception helps lower income households gain access to APCHA units. On one hand, this may contribute to the incidence of cost-burden if these households' incomes cannot support paying for a higher Category of housing. On the other hand, this is fortunate because many of these households, despite having assets larger than the caps, could not afford market housing in the area.

For illustrative purposes, the below table shows the maximum affordable purchase price for three-or-more dependent households earning the maximum income for each Category. Even if households were able to apply 100% of the asset limit toward the purchase price, most households could still not afford market housing in the area. This is especially true for households in Categories 4 or below.

Table 22. Affordable Purchase Price Given Income and Asset Caps: 2015

Households with 3-or-more Dependents:	Cat. 1	Cat. 2	Cat. 3	Cat. 4
Maximum income	\$57,500	\$78,500	\$110,500	\$167,500
Asset Cap:	\$100,000	\$125,000	\$150,000	\$175,000
Affordable Purchase Price*	\$214,224	\$292,462	\$411,682	\$624,043
Purchase Price + Max Assets**	\$314,224	\$417,462	\$561,682	\$799,043

Households with 3-or-more Dependents:	Cat. 5	Cat. 6	Cat. 7
Maximum income	\$177,500	\$191,500	\$208,500
Asset Cap:	\$200,000	\$225,000	\$250,000
Affordable Purchase Price*	\$661,300	\$713,459	\$776,794
Purchase Price + Max Assets**	\$861,300	\$938,459	\$1,026,794

* Principal and interest are based on a 30-year fixed rate mortgage at a 5% interest rate and 5% down payment. Taxes, Insurance and HOA comprise 20% of the mortgage payment.

**This makes an aggressive assumption, for illustrative purposes, that 100% of the max assets in each Category are applied toward the purchase price of the home.

"Yes, I managed to save some money, outside of retirement monies. This money is to be used in case of emergency, I lose my job, I get injured, for some reason I am unable to work. But, in order to qualify for employee housing, I have to use all of this money on housing. This isn't right. There needs to be some balance". – Survey Comment

Measuring Assets

APCHA Standards

Measuring assets refers to the verification of net household assets of a prospective household that wishes to qualify to purchase or rent an APCHA program unit. Net assets are calculated by totaling gross assets and deducting liabilities. Gross assets in the Guidelines are defined as anything which has tangible or intangible value, including:

- All cash, such as in checking and savings accounts;
- Real and personal property, including automobiles;
- Patents and causes of action which belong to any person;
- Stock, bonds, mutual funds and other investments;
- Interest in the estate of a decedent;
- Business assets/property;

- Funds or property held in a living trust or any similar entity or interest, where the person has management rights or the ability to apply the assets to the payment of debts;
- The entire property of a person, association, corporation, or estate; and
- 60% of a household's pension plans, retirement accounts, etc.

Any assets held in retirement accounts that are subject to early withdrawal penalty are adjusted to 60% of present value. Additionally, assets of household members that are qualified retirees are allowed to adjust the asset cap to 150% of the amount regularly applicable in the respective Category. As shown below:

- A similar percentage of households employed in Pitkin County and APCA households report having no retirement assets in such accounts (about 23%).
- About one-half have accounts worth less than \$100,000 and 17% of Pitkin County employed households and 12% of APCA households have accounts valued at \$200,000 or more.
- As would be expected, retirement account assets increase as the age of household members increase.

Table 23. Household Assets

	Employed APCHA Households	Households Employed in Pitkin County
NONE (\$0)	21%	23%
Less than \$100,000	53%	48%
\$100,000 - \$149,999	10%	9%
\$150,000 - \$199,999	3%	5%
\$200,000 - \$249,999	4%	3%
\$250,000 - \$299,999	2%	2%
\$300,000 - \$399,999	2%	3%
\$400,000 - \$499,999	2%	2%
\$500,000 - \$599,999	2%	2%
\$600,000 - \$799,999	1%	2%
\$800,000 - \$999,999	1%	2%
Over \$1,000,000	0%	1%

**Percentages may not add to 100% due to rounding
Source: Employee Housing Survey 2015*

Federal Standards

There is no asset limitation for participation in HUD-assisted housing programs. Net assets can affect a household's income and total tenant payment, however, as follows:

- The definition of annual income includes net income from family assets (e.g. interest earned, etc.).
- Also, when net family assets exceed \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on HUD's passbook savings rate (currently 2%).¹¹ Therefore, if a household's net assets are large enough, adding 2% of the asset value to the household's income may raise their income above the maximum qualification rate.

HUD generally defines an asset as cash or a non-cash item that can be converted to cash.¹² Appendix B contains a table that more specifically identifies what does and does not qualify as an asset, which can be referenced for more information. In summary, when compared with qualifying APCHA assets, the following primary differences are apparent:

- Retirement accounts are treated differently. HUD includes equity in 401K's and other retirement accounts to which the holder has access. APCHA counts 60% of these accounts;
- One-time/non-recurring gifts may or may not be an asset under HUD. APCHA does not include one-time gifts as assets and has no policy restricting them. As peer communities commonly see one-time down payment gifts from families, they sometimes limit one-time gift amounts or treat as an asset; and
- Personal automobiles are not included as assets under HUD. APCHA does include personal cars as assets even though cars are necessary for many employees and cannot be easily converted into funds for housing.

Negative Perceptions of Income/Asset Qualification

Based on interviews and survey comments, there is a perception that some households that do not meet the income and/or asset criteria are able to acquire APCHA housing by skirting or "abusing the system."

Even though the survey indicated that 97.8% of APCHA households have at least one employee working in Pitkin County, the negative perception exists and is

¹¹ 24 CFR 5.609(b)(3)

¹² 24 CFR 5.603(b): Definitions

damaging to the credibility of the program. The time required to dispute perceptions places an undue burden on staff, diverts attention away from primary objectives, and can outweigh successes of the organization. Over time, negative perceptions erode confidence in the program. In other resort communities, lack of credibility based on perceptions has affected the ability to create more housing opportunities.

Unreported Income

APCHA staff conveyed the challenge of calculating income, an outcome of the resort economy where holding multiple and seasonal jobs is common. The primary concern was capturing under-reporting of tip or cash income. Survey comments were similar in nature.

Fix that restaurant workers have significant amounts of unreported income. I mean, I know you can't, but it is frustrating. - Survey comment

Other communities have addressed this by verifying income with employers and requiring loan documents prior to closing to ensure consistency with income reported to the bank.

Trust Funders

The other frequent comment is that households that have unearned income from a trust, or "trust funders," are unfairly accessing APCHA units. In mountain resort communities, this demographic is common, as a large segment of the workforce that moves to these resorts come from highly educated, upper-middle class families.

To account for the prevalence of "trust funders", peer communities often limit the amount of a "gift" down payment, such as 20% of the purchase price.

Complexity and Transparency

An overly complex program reduces transparency, which creates an environment ripe for negative perceptions. The APCHA program is complex compared to similar housing programs and some applicants describe the system as "overwhelming." Reducing complexity will help to reduce confusion and both negative and misperceptions.

APCHA's Categories

Inventory of APCHA Units by Category

To understand how well APCHA unit Categories are serving households with an employee in Pitkin County, this section compares the distribution of APCHA units by Category to locally employed households by Category. Because RO units contribute to the service level of APCHA's program, the below table redistributes some RO rental and ownership units that fall within Category prices to that respective Category.

- Of 268 RO rentals, 50 are known to be in Category 1 (Truscott Phase I renting for between \$700 to \$750/month). Rents for the remaining 218 rental RO units are not known; most are not managed by APCA.
- About 48% of the 520 RO ownership units are priced at market (e.g., above Category 7). Sale prices for most of the remaining RO units fall within Category 4 (247 units). Another 15 RO units prices fall within Categories 5 through 7, comprising about 14% of the inventory in these three Categories.

Table 24. APCA Redistributed Inventory: 2015

	Category								
	1	2	3	4	5	6	7	RO	TOTAL
Rentals	148	298	427	32	0	0	0	218	1,123
Ownership	20	197	262	771	25	70	11	252	1,608
TOTAL (#)	168	495	689	803	25	70	11	470	2,731
TOTAL (%)	6%	18%	25%	29%	1%	3%	0%	17%	100%

Rentals exclude 200 seasonal units in Marolt and Burlingame. Rental reclassifies 50 RO units into Category 1.

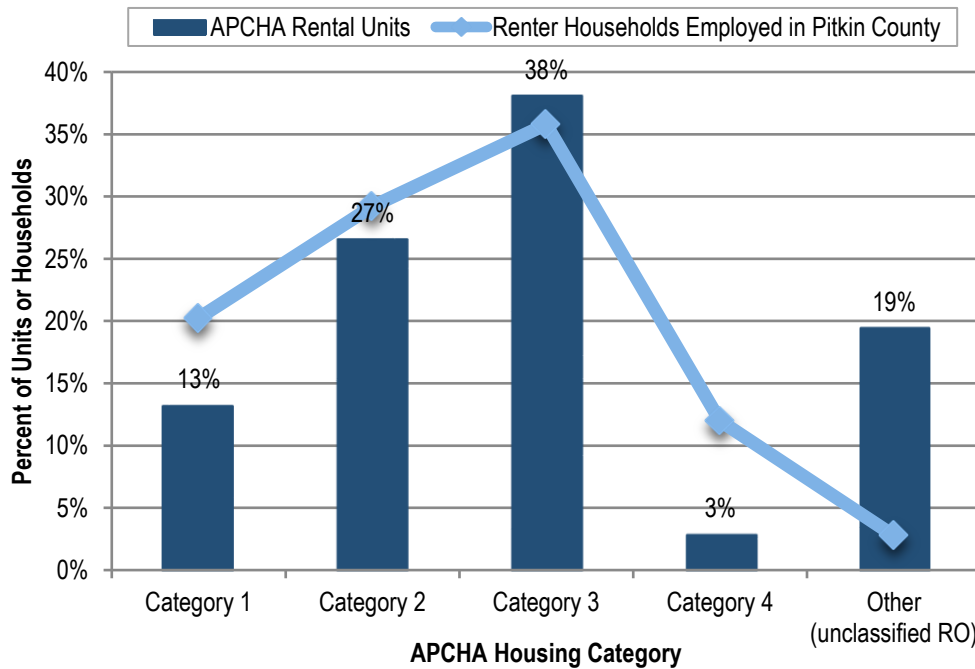
Source: APCA and City of Aspen Community Development Department, Consultant team

Distribution of Units and Employed Households by Category

The below charts compare the percentage distribution of owner and renter households that have at least one employee in Pitkin County to APCA units based on Category. Where the percentage distribution of units is similar to that of households, this indicates that APCA is providing units in relationship to employed household incomes. This shows that:

- The distribution of APCA rentals is light in Category 1 and Category 4 compared to employed households. This generally coincides with the observation that APCA rental units are underserving households earning under \$25,000 and between \$75,000 to \$100,000 per year in Section 1.
- While more low-income rentals are likely needed, many households earning at or near Category 4 incomes may be looking to buy, exhibiting lower demand for rentals.
- There appears to be a good distribution of Category 2 and 3 rentals compared to households in each Category.
- It is possible that some of the unclassified RO units are helping to fill the gap in Category 1 and Category 4, but more information is needed to be sure.

Figure 3. Distribution of APCA Rental Units Compared to Households Employed in Pitkin County by Category: 2015

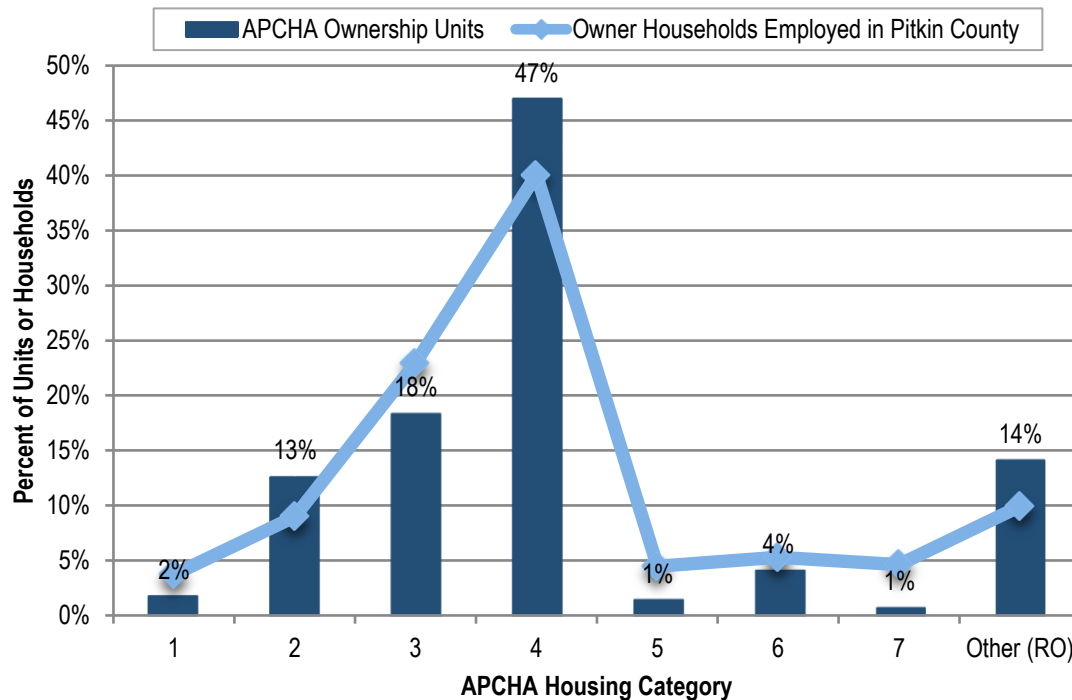


Note: some households whose incomes are within a Category may qualify for higher Category housing (i.e. a household with Category 2 income may qualify for a Category 3 unit).

Source: APCA, Employee Housing Survey 2015, Consultant team

- The distribution of ownership units is heavy in Category 4 compared to households and a little light in Categories 3, 5 and 7. This generally coincides with the observation that APCA ownership units are underserving households earning between \$100,000 to \$200,000 per year in Section 1.
- The upper (over \$100,000) income households may be limited from purchasing because of asset caps (about 35%), plus there are desirable options down valley.

Figure 4. Distribution of APCA Ownership Units Compared to Households Employed in Pitkin County by Category: 2015



Note: some households whose incomes are within a Category may qualify for higher Category housing (i.e. a household with Category 2 income may qualify for a Category 3 unit).

Source: APCA, Employee Housing Survey 2015, Consultant team

Comparison to Peer Communities (Breckenridge, Jackson, Telluride, Vail)

Income Categories and Limits

All of the towns except Vail have established a series of income categories based on AMI that are used to determine sale prices and rents, and to qualify applicants for those units. In Aspen and Jackson, the number of categories increased over time as market home prices increased and workforce housing was needed for middle-income households.

The number of categories ranges from three in Telluride up to seven in Aspen, and Jackson but do not necessarily reflect the range of incomes served. While Aspen and Jackson have a similar number of categories, the range of incomes served in Aspen is much broader and extends to lower income households.

Area Median Income (AMI) is used to define the categories in all other communities. It is common for a portion of units in workforce housing inventories

to not have income limits. Income restrictions are often relaxed, as workforce housing income targets are increased in response to market prices rising above the levels affordable to professionals/ managers. Sometimes older units developed in the early years of a town's involvement in housing may not have income caps. Private developers often try to eliminate or increase income caps to increase the pool of buyers/renters for units they produce, although experience has shown that this is not necessary; income caps have not impeded home sales in any of these towns.

Asset Limits

Asset Limits vary widely. Breckenridge and Vail impose no limits on assets, aside from prohibiting ownership of other residential real estate. More typical is the use of flat fees, a multiplier of the original sales price or a multiplier of incomes to establish asset limits. Retirement funds may or may not be counted; if counted, this can disincentivize some households to save for retirement.

See Appendix E for additional information on peer communities.

SECTION 3 – Affordability Analysis

Purpose

This section evaluates the affordability of each of APCHA's eight Categories of affordable housing units to the households that the Categories are intended to serve. This section:

- Introduces federal, industry and peer community standards to understand the affordability of ownership and rental units to households and discusses what APCHA should consider in applying affordability standards;
- Evaluates the affordability of APCHA rentals and ownership housing both for its current occupants and for qualified households for newly restricted properties. Affordability is analyzed based on the rent or mortgage payment, as well as rent or mortgage including utilities and homeowner association fees. How other issues such as deferred maintenance, capital improvements and interest rates affect affordability are also presented; and
- Discusses how peer communities have measured and addressed housing affordability issues.

Based on this analysis, recommendations are made on adjustments that could be made to APCHA's rents and sales prices based both on applied affordability standards and current rents and sales prices to help APCHA better meet its housing goals.

Standards of Affordability

There is no single “gold standard” for measuring affordability. Multiple measures exist, and each is designed to serve an intended purpose. The following three groups are evaluated to demonstrate standards:

- Government agencies
- Mortgage lenders
- Peer resort communities

While the purpose for having affordability standards varies slightly among these groups, they all:

- Utilize standards to ensure that housing costs are affordable given incomes;

- Express the standard as a maximum percentage of income that can be spent on the housing payment for it to be considered affordable; and
- Set their standard at or near 30% without consideration for unit location, household income levels and the cost of other necessities.

Government Agencies

Government agencies, such as the Department of Housing and Urban Development (HUD) and Colorado Housing and Finance Authority (CHFA), use affordability measures to determine the allocation of public funds by measuring the level of cost burden in communities and to regulate access to and set rental rates for public housing units.

HUD utilizes a simple share of income approach stating that housing is not affordable if housing costs exceed 30% of the household's gross (pre-tax) income.¹³ This standard originated for HUD public housing programs in the United States Housing Act of 1937. The 30% ratio has evolved over time, beginning at 20% in 1940, rising to 25% in 1968 and to 30% in 1981.¹⁴

A household is defined as cost-burdened by their housing payment when housing costs exceed 30% of a household's gross (pre-tax) income. Households are *severely cost-burdened* when rent or mortgage comprises 50% or more of gross income. Cost burdened households, particularly those in lower income groups, may be forced to make tradeoffs to meet other necessary household expenses, such as food, medical, and transportation and in the safety, quality, and location of their housing to make ends meet.

The application of the 30% ratio of housing costs to income varies. The calculation may compare just rent or mortgage to a household's income or may include the cost of utilities in the calculation. For example:

- For rents in public housing projects, federal regulations limit the amount of rent plus an allowance for utilities to be no more than 30% of income.¹⁵
- The Colorado Housing and Finance Authority permits rents plus utilities for low-income housing tax credit rentals (LIHTC) to comprise up to 40% of a qualifying household's income.¹⁶

¹³ Income is measured for public housing programs as defined in 25 C.F.R. § 5.609. See Section 3 – Income and Assets in this report.

¹⁴ See the Housing and Urban Development Act of 1968 and Housing and Community Development Amendments of 1981, Public Law 97-35 (8/13/81), 95 Stat. 400.

¹⁵ Reference CFR sections here.

¹⁶ See Colorado Housing and Finance Authority LIHTC Regulations, <http://www.chfainfo.com/arh/asset/Pages/lihtc-compliance.aspx>

Although HUD's standard is applied with some variation and has some deficiencies, this standard is the most widely used by federal and state housing programs. It is computed from readily available data (income and housing costs), is easy to understand and easy to track over time.

Mortgage Lenders

Lending standards are important to consider because buyers of APCHA housing must obtain mortgages. These standards and the inputs used in calculating them are designed to determine an individual household's ability to pay their mortgage. They also create the secondary market for mortgages by setting the underwriting criteria on which mortgages are pooled and mortgage backed securities are issued. If housing programs do not adhere to these standards, mortgages from portfolio lenders with typically higher, adjustable interests rates could be the only option for buyers.

To measure a household's ability to pay, lending institutions rely on lending standards to minimize risk. If a household meets certain standards, they are less likely to default on the mortgage. Therefore, housing programs often rely on lenders to ensure that buyers are capable of paying the mortgage on their home.

Mortgage applications are typically document heavy, requiring multiple years of income tax returns, verification of accounts and savings, identification of debts and assets, among other documents to obtain a complete picture of an applicant's obligations and resources.

Standards set by lending institutions for government-backed and conventional, fixed-rate mortgages typically require:

- A limit on size of the loan. The general national limit is \$417,000; however, the Pitkin County limit is \$625,500 based on an adjustment applied to high cost areas.
- The applicant's housing debt does not exceed approximately 30% of income. The Federal Housing Administration (FHA) applies a limit of 29% and conventional Fannie Mae is generally up to 32% or 33%. This ratio is looked at in isolation to determine whether the buyer will be able to pay the mortgage over time;
- The ratio of the applicant's debt to income does not exceed a specified maximum. Debt may typically comprise up to 45% of a household's income and includes student loans, car loans, credit card debt, and other obligations;

- A down payment be provided (typically 0 to 20%), with government or private mortgage insurance if less than 20%; and
- The applicant's credit score be adequate for the loan being sought (a higher credit score usually translates to a lower interest rate).

Mortgage companies do not include utilities when calculating whether a housing payment is affordable. Homeowner's association fees, however, are typically included when calculating the debt-to-income ratio.

A mortgage that exceeds the loan limit of \$625,500 is known as a jumbo loan. Because different standards apply to Jumbo Loans, they are not purchased by Government Sponsored Enterprises (GSEs) like Fannie Mae or Freddie Mac. Also, because the risk is higher to lenders, mainly due to the larger loan amount, interest rates and down payments are generally higher. However, debt-to-income standards are often less restrictive, meaning a household is able to pay a higher percentage of their income toward housing costs. This is because households with higher incomes purchase higher priced homes and they have more funds available to pay for housing and still afford non-housing essentials.

Lending standards recognize the variations in a household's ability to pay housing costs based on the household's financial condition and obligations. Because of this, there is more flexibility in measuring affordability than with HUD's 30% measure.

Peer Resort Communities

Determining an affordability standard is a common challenge for policy makers in resort communities. Selecting a measure that minimizes the subsidy to create the unit, while ensuring that housing is a source of financial stability to the occupant is a delicate balance.

All of the peer communities reviewed use the 30% ratio of income-to-housing cost as the basis for measuring affordability. Because they all use HUD data in other aspects of their housing program (i.e., AMI data to set income limits, household size, percentage of AMI to define category ranges) this standard is an easy method to track affordability of the program.

They also use the 30% figure as the primary input for setting rental rates and sales prices, although not with consistency. Home prices/rents may be set based on multiple factors including development costs, subsidies available and developer negotiations. If the units are income capped, the prices may be close to top end of the affordable range, requiring applicants to obtain assistance (usually from parents) or obtain an ARM that will make the payment affordable for the initial year or two.

Peer communities vary their assumptions for inputs in the calculations (persons per bedroom, point within the category range, interest rate, down payment, etc.), but are generally transparent about the methodology used to calculate amounts.

Inputs for Housing Cost Calculation

The inputs used in calculating the 30% standard vary among housing agencies and peer communities:

- The interest rate is a variable that greatly impacts the percentage. Lenders use the rates they currently charge even if that rate will increase later through an adjustable rate mortgage. Peer communities tend to use a rate slightly higher (often one percentage point) than current market rates as a buffer to interest rate increases. Summit County uses 7.5% for extra cushion.
- Utilities are not included in any ownership programs.
- None of the peer communities include utilities in either ownership or rental housing, though Low Income Housing Tax Credit (LIHTC) is handled differently by its own standard (40% of income on rent including utilities).
- HOA fees are considered, but may be adjusted if the fees are atypically large (e.g., they cannot be covered by a standard percentage assumed for taxes, insurance and HOA).

While HUD is the standard applied by all of the peer resort communities, the high cost of housing requires that these housing programs serve higher-income households than the HUD standard is generally intended to measure. Many communities have created units without price caps to address this. Unfortunately, common experience has shown steep appreciation in prices on units without a cap and all peer communities now impose a price cap, even on units intended to serve higher-income groups.

Weaknesses in the 30% Affordability Standard

The simple 30% ratio has criticisms, mainly regarding its ability to explain true housing affordability, including:

- 1) Non-housing essentials. Households earning \$100,000 per year have much more left over after paying 30% of their income for rent or mortgage to cover other necessary costs than do households earning less than \$30,000 per year. The flat 30% ratio does not take into account the varying ability for households at different income levels to afford non-housing essentials such as food, clothing, transportation, healthcare and childcare.

- 2) Cost of living. The 30% ratio does not account for the cost differences in food, shelter, transportation, and other living expenses that occur from one housing market to another, affecting the total cost of living in an area and, therefore, what a household can realistically afford to pay for housing to meet other expenses.
- 3) Condition and location of housing. The 30% ratio does not take into consideration the physical condition, safety, nor location tradeoffs that households must make or are willing to make to afford their housing. Nor does it consider investments that owners may need to make to repair substandard properties.

Restructuring the approach for determining affordability has long been debated without resolution. Stepping up the percentage as household incomes increase has been suggested since the residual income for non-housing necessities also increases as incomes rise. High cost communities such as Pitkin County and peer communities where housing programs must serve higher-income households than the HUD standard is generally intended to serve may provide the environment for this type of scaled residual-income approach. No housing agencies or communities have been identified, however, that have adopted this approach.

Affordability of APCHA Housing

The affordability of APCHA's housing is analyzed in two parts:

1. Rental Affordability and
2. Ownership Affordability.

This section applies the affordability standard of no more than 30% of income paid toward rent or mortgage (excluding utilities) to determine when housing may be considered unaffordable. The purpose of this section is to determine whether APCHA can consider changes in its rents or sales prices to better meet its goals. The affordability of these units is evaluated by:

1. Comparing the household incomes of *existing occupants* of APCHA rentals and owned homes to their rent or mortgage payment.
2. Comparing the rents and sale prices established by APCHA in its Guidelines to Category incomes, which will primarily impact how *new housing* is priced.
3. Examining permitted resale prices to determine whether APCHA homes remain affordable under current appreciation allowances.
4. Examining changes in APCHA's rents, sales prices and incomes to determine if they have retained relative affordability over time.

Part 1 - Rental Affordability

To keep rents affordable to tenants, APCA limits the amount of rent that can be charged for Employee Housing units that falls under APCA oversight. The rent includes the cost of common utilities, snow removal, landscaping, condominium dues, management costs and taxes, but not individually metered utilities or trash. The rental rate is the same for both furnished and unfurnished units. This practice is typical among peer communities; although in seasonal worker housing utilities are generally included, and trash is often covered in all apartment rentals.

APCHA's inventory of more than 1,300 units has several different rental rates within each Category, as well as between Categories. Rental rates were originally based on an amount per square foot. The amount per square foot was adjusted over the years, and new units placed into service had rental caps based on the square footage of the unit and its Category. In 2002, the current baseline rent was established to represent household incomes at that time.

- For units placed in service, rents are allowed to annually increase at CPI or 3%, whichever is less. Prior to 2002, the CPI was not capped. From 1978 to 2015, the annual increase in rent has been as little as zero and as much as 6.6% with an average annual increase of 1.61%.

Table 25. Permitted Increase in Rent for Existing Affordable Rentals

Year	Increase	Year	Increase	Year	Increase	Year	Increase
1978	0.00%	1988	0.00%	1998	0.73%	2008	3.00%
1979	0.00%	1989	4.70%	1999	0.54%	2009	0.70%
1980	0.00%	1990	3.00%	2000	1.08%	2010	2.30%
1981	0.00%	1991	0.00%	2001	1.40%	2011	1.30%
1982	0.00%	1992	2.00%	2002	1.63%	2012	3.00%
1983	6.60%	1993	1.20%	2003	2.15%	2013	1.70%
1984	5.00%	1994	1.00%	2004	1.60%	2014	1.10%
1985	3.30%	1995	1.10%	2005	3.00%	2015	1.10%
1986	0.00%	1996	0.99%	2006	3.00%		
1987	0.00%	1997	1.31%	2007	1.70%		

Source: Employee Housing Guidelines 2015

For newly income-restricted rental units, APCA establishes maximum rents each year, also based on CPI. Once units are placed into service, they may appreciate as defined above.

In 2015, established rents range from a low of less than \$500 to nearly \$3,000 per month, as shown in the below table.

Table 26. 2015 APCA Maximum Monthly Rental Rates

Unit Type	Category 1	Category 2	Category 3	Category 4	RO
Studio	\$492	\$875	\$1,307	\$1,734	\$2,379
1 Bedroom	\$608	\$1,028	\$1,457	\$1,903	\$2,545
2 Bedroom	\$720	\$1,180	\$1,610	\$2,057	\$2,697
3 Bedroom	\$834	\$1,320	\$1,767	\$2,210	\$2,853
SF Detached	\$951	\$1,489	\$1,918	\$2,284	\$2,929

**Includes cost of common utilities, condominium dues, management costs and taxes.*

Source: Employee Housing Guidelines 2015

APCHA also establishes maximum yearly incomes that occupants may earn to qualify for rentals in each Category. Incomes vary based on the number of adults in the household.¹⁷ Income maximums are used to qualify households for both existing and newly-restricted APCA units. The below table shows the range of incomes that households may earn to qualify for each Category of housing.

Table 27. 2015 Category Incomes for APCA Rentals

Number of Adults	Cat1		Cat2	
	Min*	Max	Min	Max
1-Adult	\$14,000	\$35,000	\$35,001	\$56,000
2-Adults	\$23,000	\$52,000	\$52,001	\$81,000
3-Adults	\$28,000	\$62,000	\$62,001	\$96,000

Number of Adults	Cat3		Cat4	
	Min	Max	Min	Max
1-Adult	\$56,001	\$88,000	\$88,001	\$145,000
2-Adults	\$81,001	\$133,000	\$133,001	\$215,000
3-Adults	\$96,001	\$156,000	\$156,001	\$252,000

**The minimum income for Category 1 was estimated based on the spread of incomes permitted in Category 2. APCA does not define a minimum income for Category 1 households, but does require occupants to work full time (1,500 hours per calendar year), meaning that the vast majority of qualifying households earn at least \$15,000 (\$10/hour) or more per year.*

Source: Employee Housing Guidelines 2015

Affordability for Renters in Existing Units

Cost-burden is a problem for a portion of current APCA renters. APCA's affordable rental housing is not affordable for all who occupy it.

¹⁷ See Section 2 – Income, Assets & Categories for more information on APCA income maximums.

"Stop raising the rent!! I was in my employee housing for 3 months and the rent was raised 5%!!! I'm lucky if I get a 2% raise.....I never get a 5% raise....please stop!!!" – *Survey comment*

About 23% of existing APCHA renters are cost-burdened (pay more than 30% of their income) for rent. This is only somewhat lower than for households employed in Pitkin County overall (28% of renters are cost-burdened).¹⁸ When utilities are added, the percentage of cost-burdened APCHA renters increases to 27.5%.

Evaluated by Category of unit and household type:

- Cost-burden mostly affects households occupying units in Category 1 (61.5% of households) and Category 2 (32.4% of households).
- One-adult households find units less affordable than other households -- 30% are cost-burdened.

When utilities are added to the rent or mortgage payment, low income and one-adult households are still disproportionately cost burdened. Data on the impact of including utilities is provided in Appendix C.

Table 28. Households Paying Over 30% of Income for Rent: APCHA Renters 2015

	1-adult	2-adults	3-adults	Total Households
% Cost-Burdened	29.9%	18.0%	9.1%	23.0%
	Category 1	Category 2	Category 3	Category 4
% Cost-Burdened	61.5%	32.4%	0.3%	0.0%

Source: 2015 Employee Survey

Rents for New Units Compared to APCHA Category Incomes

In general, APCHA's specified rents in relation to maximum incomes for every Category are affordable. Some variations are seen when households earn less than the maximum incomes in some Categories:

- Households earning near the minimum income for Category 1 and one-adult households in Categories 2 and 3 have trouble affording rents.
- For all other households and Categories, it would be possible to increase rents under the current income ranges and not compromise the general affordability of the program based on the 30% housing payment standard.

¹⁸ See Section 1 – APCHA Affordable Housing Program for this data.

The below table provides a simple overview of the average affordability of APCHA's rental program. By dividing the average maximum income for each Category into the average of rents for all unit types, a ratio of average rent to average income is generated. This shows that rents are set within affordable ranges, based on the 30% standard, with affordability generally increasing as the Categories increase. In other words, Category 4 is relatively more affordable to households that income-qualify for units (12% average rent to income) than Category 1 (17% average rent to income).

Table 29. Average Affordability of APCHA's Maximum Rents: 2015

	Cat1	Cat2	Cat3	Cat4
Average income range*	\$49,667	\$77,667	\$125,667	\$204,000
Average rent**	\$721	\$1,178	\$1,612	\$2,038
Ratio of monthly rent to monthly income***	17%	18%	15%	12%

*Simple average of 1-, 2- and 3-adult maximum incomes specified by APCHA.

**Simple average of maximum rents specified for each unit type.

***Ratio of average rent divided by average income.

This general observation is supported by the more detailed analysis presented below, which compares the incomes that one-, two- and three-adult households can earn to qualify for each Category unit to the rents for each unit type. This shows that:

- Rents in each Category are generally affordable for households earning at or near the *maximum* incomes. Theoretically, one-adult households renting single family homes in Category 1 or 2 would pay over 30% of their income for rent but, with only three single-family rentals, this seems unlikely.
- Affordability problems occur for households earning near the minimum incomes in Category 1, including:
 - No units are affordable to one-adult households;
 - Only studios are affordable to two-adult households; and
 - Three-adult households can only afford a 1-bedroom (which they cannot occupy due to two persons per bedroom restrictions).
- Affordability is also a problem for one-adult households earning near the minimum incomes in all but Category 4. One-adult households earning the minimum income in Categories 2 or 3 could only afford a studio unit. This may work fine for a 1-person household, but is unsuitable for a single-parent household. This supports the need to base household size (and incomes) on total occupants, not just adults as explored in Section 4.

- Rents in most Categories are priced affordable for the full range of incomes. For example, a two-adult household earning between the minimum and maximum income in Category 2 could afford to rent a Category 2 studio, 1-bedroom or 2-bedroom unit. Only one-adult households earning at or near the minimum income for each Category have significant limitations on selection.

Table 30. Percent of Monthly Income Spent on Rent by Qualifying Households: New APCA Rentals, 2015

Adults / Unit	Cat1		Cat2		Cat3		Cat4	
	Min	Max	Min	Max	Min	Max	Min	Max
1 / Studio	42.2%	16.9%	30.0%	18.8%	28.0%	17.8%	23.6%	14.4%
1 / 1BR	52.1%	20.8%	35.2%	22.0%	31.2%	19.9%	25.9%	15.7%
1 / 2BR	61.7%	24.7%	40.5%	25.3%	34.5%	22.0%	28.0%	17.0%
1 / 3BR	71.5%	28.6%	45.3%	28.3%	37.9%	24.1%	30.1%	18.3%
1 / SF	81.5%	32.6%	51.0%	31.9%	41.1%	26.2%	31.1%	18.9%
2 / Studio	25.7%	11.4%	20.2%	13.0%	19.4%	11.8%	15.6%	9.7%
2 / 1BR	31.7%	14.0%	23.7%	15.2%	21.6%	13.1%	17.2%	10.6%
2 / 2BR	37.6%	16.6%	27.2%	17.5%	23.9%	14.5%	18.6%	11.5%
2 / 3BR	43.5%	19.2%	30.5%	19.6%	26.2%	15.9%	19.9%	12.3%
2 / SF	49.6%	21.9%	34.4%	22.1%	28.4%	17.3%	20.6%	12.7%
3 / Studio	21.1%	9.5%	16.9%	10.9%	16.3%	10.1%	13.3%	8.3%
3 / 1BR	26.1%	11.8%	19.9%	12.9%	18.2%	11.2%	14.6%	9.1%
3 / 2BR	30.9%	13.9%	22.8%	14.8%	20.1%	12.4%	15.8%	9.8%
3 / 3BR	35.7%	16.1%	25.5%	16.5%	22.1%	13.6%	17.0%	10.5%
3 / SF	40.8%	18.4%	28.8%	18.6%	24.0%	14.8%	17.6%	10.9%

Source: Aspen/Pitkin County Housing Authority, Consultant Team

APCHA households pay an average of \$132 per month in utilities.¹⁹ When the average cost of utilities is added to the maximum rents for each Category, households earning the maximum income for each range are still generally able to afford APCA rentals. As shown below:

- A few households earning the *maximum* income in each Category pay over 30% for rent plus utilities, but no household pays more than 40% for rent plus utilities;
- As expected, the affordability for households earning at or near the minimum for each Category decreases. One-adult households have the most affordability problems, along with all lower income households in Category 1.

¹⁹ Source: Employee Housing Survey 2015; see Section 1 – Examination of APCA's Affordable Housing Program for this data.

**Percent of Monthly Income Spent on Rent Plus Utilities by Qualifying Households:
New APCA Rentals, 2015**

	Cat1		Cat2		Cat3		Cat4	
Adults / Unit	Min	Max	Min	Max	Min	Max	Min	Max
1 / Studio	53.5%	21.4%	34.5%	21.6%	30.8%	19.6%	25.4%	15.4%
1 / 1BR	63.4%	25.4%	39.8%	24.9%	34.0%	21.7%	27.7%	16.8%
1 / 2BR	73.0%	29.2%	45.0%	28.1%	37.3%	23.8%	29.8%	18.1%
1 / 3BR	82.8%	33.1%	49.8%	31.1%	40.7%	25.9%	31.9%	19.4%
1 / SF	92.8%	37.1%	55.6%	34.7%	43.9%	28.0%	32.9%	20.0%
2 / Studio	32.6%	14.4%	23.2%	14.9%	21.3%	13.0%	16.8%	10.4%
2 / 1BR	38.6%	17.1%	26.8%	17.2%	23.5%	14.3%	18.4%	11.4%
2 / 2BR	44.5%	19.7%	30.3%	19.4%	25.8%	15.7%	19.8%	12.2%
2 / 3BR	50.4%	22.3%	33.5%	21.5%	28.1%	17.1%	21.1%	13.1%
2 / SF	56.5%	25.0%	37.4%	24.0%	30.4%	18.5%	21.8%	13.5%
3 / Studio	26.7%	12.1%	19.5%	12.6%	18.0%	11.1%	14.4%	8.9%
3 / 1BR	31.7%	14.3%	22.5%	14.5%	19.9%	12.2%	15.7%	9.7%
3 / 2BR	36.5%	16.5%	25.4%	16.4%	21.8%	13.4%	16.8%	10.4%
3 / 3BR	41.4%	18.7%	28.1%	18.2%	23.7%	14.6%	18.0%	11.2%
3 / SF	46.4%	21.0%	31.4%	20.3%	25.6%	15.8%	18.6%	11.5%

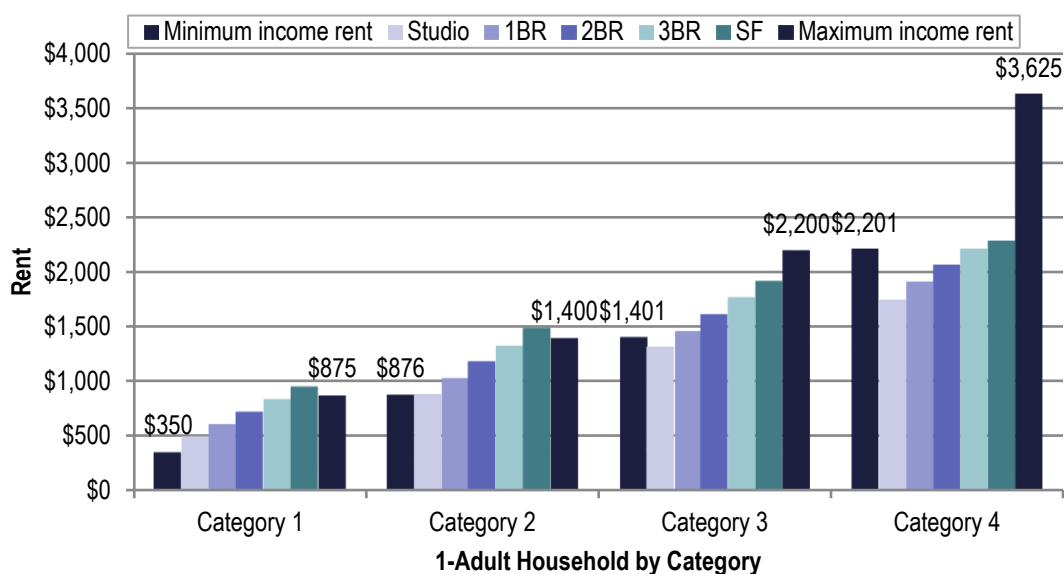
Source: Aspen/Pitkin County Housing Authority, Consultant Team

The following charts show the range of rents that each sized household can afford to pay given the income range for each Category. This range is compared to the APCA rents for each sized home, visually displaying where Category rents may exceed a household's ability to pay. This analysis supports the above findings that households earning below maximum incomes Category 1 and Category 2 have difficulty affording rents.

One-adult households earning:

- The *maximum* income in Category 1 can afford to pay up to \$875 in rent, which is higher than the rents for all available unit types.
- The *minimum* income for Category 1 can afford to pay \$350 per month, which is lower than the rents for all APCA units – no rentals would be affordable to this household based on the 30% standard.
- The only Category in which minimum-income 1-adult households can afford more than a studio is in Category 4.

Figure 5. Rent Affordable to Households Within the Permitted Income Range for Each Category Compared to APCA Rents: One-Adult Household²⁰



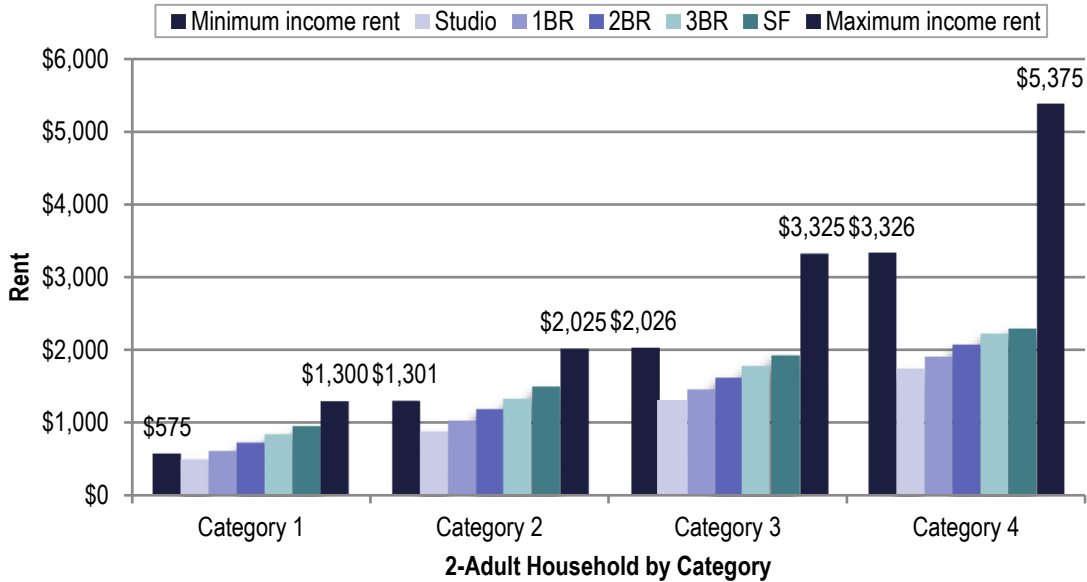
Source: Aspen/Pitkin County Housing Authority, Consultant Team.

Two-adult households earning:

- The *maximum* income in all Categories can afford any unit type.
- At any point within the income range in Categories 3 and 4 can afford any unit type.
- The *minimum* income in Category 2 can afford up to \$1,300 in rent. Studios, 1- and 2-bedroom units rent for less than this amount.
- The minimum in Category 1 can afford \$575 per month. Only studio units rent for less than this amount.

²⁰ Based on the standard that no more than 30% of income is used for rent. Category 1 minimum rents are calculated from the estimated minimum incomes in Table 30, above.

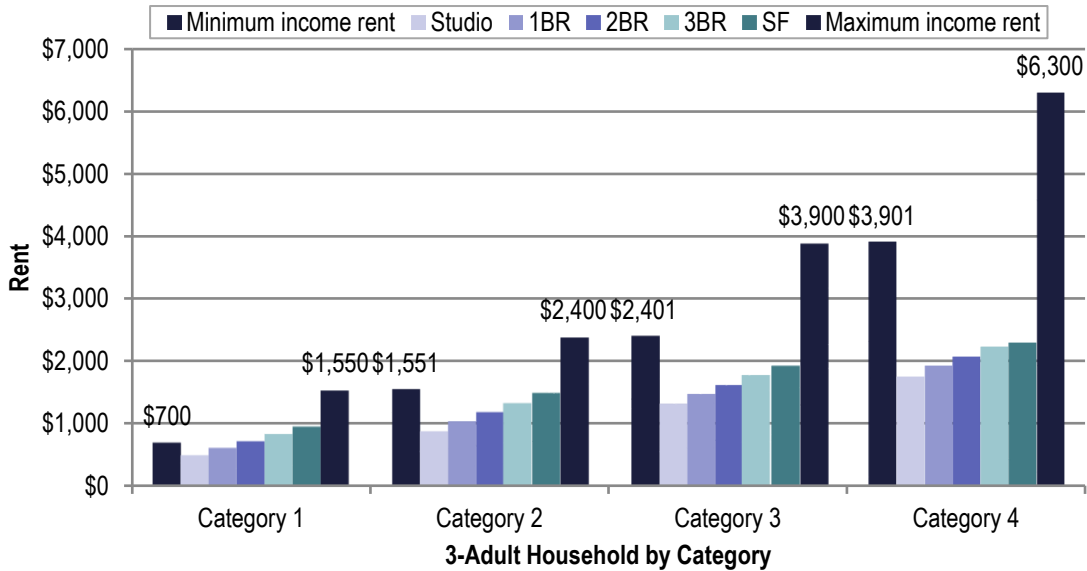
Figure 6. Rent Affordable to Households Within the Permitted Income Range for Each Category Compared to APCA Rents: Two-Adult Household



Source: Aspen/Pitkin County Housing Authority, Consultant Team.

Three-adult households earning the minimum income can easily afford any type unit in any Category excluding Category 1. Category 1 minimum-income earners can pay \$700 per month, which would include a studio or 1-bedroom unit.

Figure 7. Rent Affordable to Households Within the Permitted Income Range for Each Category Compared to APCA Rents: Three-Adult Household



Source: Aspen/Pitkin County Housing Authority, Consultant Team.

Based on the above, APCHA may:

- Raise rents, particularly in Categories 3 and 4. This may be desirable if a goal is to decrease subsidies to the program. Decreased subsidies to the higher income Categories may permit increased subsidy to lower income households and help alleviate some of the cost-burden among households in Categories 1 and 2 in particular.
- Decrease incomes. Depending upon program goals and target market incomes to serve, it may be appropriate to decrease qualifying incomes for Categories 3 and 4 in particular. Category 4 rental incomes span the same range as Category 5 through 7 for ownership.

These decisions are at least as much tied to policy as they are to calculations.

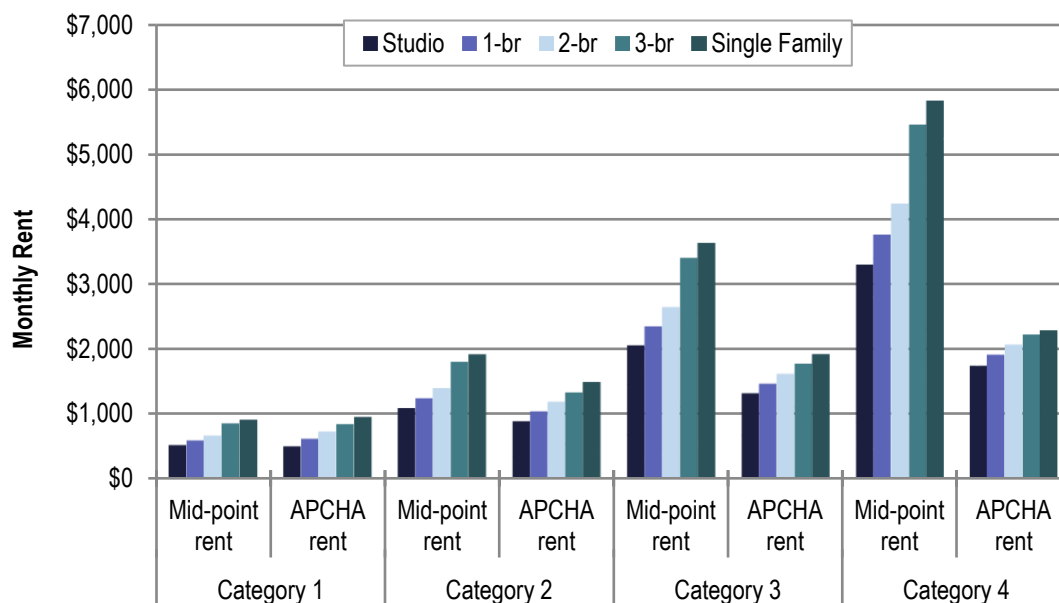
Estimated AMI Rents

The below presents one option that APCHA could consider. This shows the change in rents that would occur if APCHA changed to an AMI system based on the porting methodology presented in Section 2 – Income, Assets and Categories.²¹ The calculation represents the mid-point rent for the AMI range, meaning that some rents will be lower than the calculated rent and some will be higher. As shown:

- Rents for Category 1 are estimated to be about the same as current APCHA rents;
- Rents would increase based on permitted affordability for each higher Category. The largest change is seen in Category 4, with most rents doubling (or more) from their current rates.²²
- Part of the reason for this large increase is related to the assumption that households will pay no more than 30% of their income for rent for it to be affordable. This contrasts with APCHA's current program, which shows average rent affordability to be low, averaging between 12% and 18% of monthly income (see Table 30 at the start of this section). A change in this assumption, which may be related to policy as much as process, would affect the AMI rent rates.

²¹ See Appendix C for details on the calculation methodology and assumptions made.

²² Appendix C has a detailed table showing the percentage change in rents for each unit type.

Figure 8. Estimated AMI Rents Compared to Maximum APCA Rents

AMI Rent represents the mid-point rent for the AMI range. Some rents may fall below this price point and some above, but average rents will equal those in the table.

Source: Aspen/Pitkin County Housing Authority, Consultant Team.

Part 2 - Ownership Affordability

To keep ownership units affordable long-term, APCA establishes the maximum purchase price for housing units that it oversees. APCA determines this price at the time of initial sale and upon each transfer of ownership.

The initial sales price is calculated to be affordable to the household income category it is designed to serve. In 2002, the current baseline was established to represent current household incomes at that time and to take into account other housing costs (property taxes, insurance, HOA dues, interest rate, etc.). The method of calculation used is unclear. This baseline has been adjusted annually based on CPI capped at 3% to determine the maximum price at resale.

The initial sales price on RO units is determined on a case-by-case basis with the developer usually setting the price. If another affordable housing unit is developed in association with the RO unit, the average sales price of both units is not allowed to be greater than the Category 3 maximum.

The Maximum Sales Prices for newly deed-restricted units and lots (i.e., those first sold in 2015) established by APCA are as follows:

Table 31. 2015 APCA Maximum Sales Prices

Unit Type	Category 1	Category 2	Category 3	Category 4
Studio	\$40,000	\$93,000	\$155,000	\$262,000
1 Bedroom	\$52,000	\$111,000	\$169,000	\$280,000
2 Bedroom	\$63,000	\$137,000	\$200,000	\$311,000
3 Bedroom	\$72,000	\$168,000	\$234,000	\$344,000
SF Detached	\$87,000	\$199,000	\$264,000	\$371,000
SF Lot	n/a	n/a	n/a	n/a

Unit Type	Category 5	Category 6	Category 7	RO
Studio	\$365,000	\$407,000	\$457,000	n/a
1 Bedroom	\$395,000	\$438,000	\$488,000	n/a
2 Bedroom	\$429,000	\$471,000	\$522,000	n/a
3 Bedroom	\$457,000	\$498,000	\$549,000	n/a
SF Detached	\$489,000	\$532,000	\$579,000	n/a
SF Lot	\$105,000	\$146,000	\$152,000	\$186,000

Source: Employee Housing Guidelines 2015

APCHA also establishes maximum yearly incomes that occupants may earn to qualify to own in each Category. The below table expresses the range of incomes that can qualify for each Category of housing.

Table 32. 2015 Category Incomes for APCA Ownership

Dep end ents	Cat1		Cat2		Cat3		Cat4	
	Min*	Max	Min	Max	Min	Max	Min	Max
0	\$14,000	\$35,000	\$35,001	\$56,000	\$56,001	\$88,000	\$88,001	\$145,000
1	\$18,500	\$42,500	\$42,501	\$66,500	\$66,501	\$95,500	\$95,501	\$152,500
2	\$29,000	\$50,000	\$50,001	\$71,000	\$71,001	\$103,000	\$103,001	\$160,000
3	\$36,500	\$57,500	\$57,501	\$78,500	\$78,501	\$110,500	\$110,501	\$167,500

Dependents	Cat5		Cat6		Cat7	
	Min	Max	Min	Max	Min	Max
0	\$145,001	\$155,000	\$155,001	\$169,000	\$169,001	\$186,000
1	\$152,501	\$162,500	\$162,501	\$176,500	\$176,501	\$193,500
2	\$160,001	\$170,000	\$170,001	\$184,000	\$184,001	\$201,000
3	\$167,501	\$177,500	\$177,501	\$191,500	\$191,501	\$208,500

*The minimum income for Category 1 was estimated based on the spread of incomes permitted in Category 2. APCA does not define a minimum income for Category 1 households, but does require occupants to work full time (1,500 hours per calendar year), meaning that the vast majority of qualifying households earn at least \$15,000 (\$10/hour) or more per year.

Source: Employee Housing Guidelines 2015

Current APCHA Owners

Cost-burden is not a significant problem for current APCHA owners.

Only 10% of current APCHA owners are cost-burdened (pay more than 30% of their income) for mortgage. This is lower than for owners employed in Pitkin County overall (19% total).²³ When HOA fees are also added, APCHA cost-burden rises to 15%.

Evaluated by Category of unit and household type:

- Cost-burden mostly affects households occupying units in Category 1 (55.4% of households) and Category 2 (23.8% of households).
- A similar percentage of households by dependent type are cost burdened by their mortgage payment, ranging between about 8% and 11%. This rises to near 16% for zero- and one-dependent households when HOA fees are added.

Table 33. Households Paying Over 30% of Income for Mortgage: APCHA Owners 2015

	0- dependents	1- dependent	2- dependents	3- dependents*	TOTAL owners
% cost-burdened	10.8%	10.6%	7.5%	11.0%	10.0%
Including HOA	15.6%	16.6%	9.3%	--	15.0%

*Small sample size for 3+ dependent households, consider this with interpretation.

	Category 1*	Category 2	Category 3	Category 4	Categories 5 - 7**
% cost-burdened	55.4%	23.8%	4.7%	4.1%	1.3%

*Category 1 has a small sample size, consider this with interpretation.

**Categories 5, 6, and 7 are consolidated due to small individual sample sizes.

Source: 2015 Employee Survey

New For-Sale Homes Compared to APCHA Category Incomes

The below table provides a simple overview of the average affordability of APCHA's ownership program. By dividing the average maximum income for each Category into the average of sale prices for all unit types, a ratio of average sale price to average income is generated.

- The below generally shows that sale prices are set within affordable ranges.

²³ See Section 1 – APCHA Affordable Housing Program for this data.

- Typically households can afford to purchase homes that are at least three-times and, with current low interest rates, near 4-times their income based on the 30% affordability standard.
- Calculated ratios show sale prices average between 1.48- and 2.68-times the maximum household incomes for each Category, indicating relatively affordable prices.

Table 34. Average Affordability of APCHA's Maximum Sale Prices: 2015

	Cat1	Cat2	Cat3	Cat4	Cat5	Cat6	Cat7
Average income range*	\$42,501	\$64,501	\$95,501	\$152,501	\$162,501	\$176,501	\$193,500
Average sale price**	\$62,800	\$141,600	\$204,400	\$313,600	\$427,000	\$469,200	\$519,000
Ratio of sale price to income***	1.48	2.20	2.14	2.06	2.63	2.66	2.68

*Simple average of 0-, 1-, 2- and 3-dependent maximum incomes specified by APCHA.

**Simple average of maximum sale prices specified for each unit type.

***Ratio of average sale price divided by average income.

Source: *Employee Housing Guidelines 2015, Consultant Team.*

This general observation is supported by the more detailed analysis presented below, which compares the incomes that zero- through three+-dependent households can earn to qualify for each Category unit to the maximum sale prices for each unit type. This shows that:

- Sale prices in each Category are generally affordable for households earning at or near the *maximum* incomes.
- Affordability problems occur for households earning near the *minimum* incomes in Category 1 for zero-dependent households. These households could afford a 1-bedroom or smaller home.
- Minimum income earners in Category 2 with zero- or one-dependent generally could not afford 3-bedroom or single-family homes.
- Home choices for which households can qualify based on their size are generally available to the remaining households in other Categories.

"Affordable housing in Pitkin County is not affordable. You cannot afford to raise a family in Aspen anymore with just one job. Homeowner's Association fees are ridiculous. We were on the list for Burlingame Phase 2 but chose to purchase down valley because of how expensive HOA fees were predicted to be for the unit". – 2015 Employee Housing Survey Comment

Table 35. Percent of Monthly Income Spent on Mortgage and HOA²⁴ by APCA Households: 2015

Dependents / Unit	Cat1		Cat2		Cat3		Cat4		Cat5		Cat6		Cat7	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
0 / Studio	21.9%	8.7%	20.3%	12.7%	21.2%	13.5%	22.8%	13.8%	19.3%	18.0%	20.1%	18.4%	20.7%	18.8%
0 / 1BR	28.4%	11.4%	24.3%	15.2%	23.1%	14.7%	24.3%	14.8%	20.8%	19.5%	21.6%	19.8%	22.1%	20.1%
0 / 2BR	34.4%	13.8%	29.9%	18.7%	27.3%	17.4%	27.0%	16.4%	22.6%	21.2%	23.2%	21.3%	23.6%	21.5%
0 / 3BR	39.3%	15.7%	36.7%	22.9%	32.0%	20.3%	29.9%	18.1%	24.1%	22.6%	24.6%	22.5%	24.9%	22.6%
0 / SF	47.5%	19.0%	43.5%	27.2%	36.1%	22.9%	32.3%	19.6%	25.8%	24.1%	26.3%	24.1%	26.2%	23.8%
1 / Studio	16.5%	7.2%	16.7%	10.7%	17.8%	12.4%	21.0%	13.1%	18.3%	17.2%	19.2%	17.6%	19.8%	18.1%
1 / 1BR	21.5%	9.4%	20.0%	12.8%	19.4%	13.5%	22.4%	14.0%	19.8%	18.6%	20.6%	19.0%	21.2%	19.3%
1 / 2BR	26.1%	11.3%	24.7%	15.8%	23.0%	16.0%	24.9%	15.6%	21.5%	20.2%	22.2%	20.4%	22.6%	20.6%
1 / 3BR	29.8%	13.0%	30.2%	19.3%	26.9%	18.7%	27.6%	17.3%	22.9%	21.5%	23.4%	21.6%	23.8%	21.7%
1 / SF	36.0%	15.7%	35.8%	22.9%	30.4%	21.1%	29.7%	18.6%	24.5%	23.0%	25.0%	23.1%	25.1%	22.9%
2 / Studio	10.6%	6.1%	14.2%	10.0%	16.7%	11.5%	19.5%	12.5%	17.5%	16.4%	18.3%	16.9%	19.0%	17.4%
2 / 1BR	13.7%	8.0%	17.0%	12.0%	18.2%	12.6%	20.8%	13.4%	18.9%	17.8%	19.7%	18.2%	20.3%	18.6%
2 / 2BR	16.6%	9.6%	21.0%	14.8%	21.5%	14.9%	23.1%	14.9%	20.5%	19.3%	21.2%	19.6%	21.7%	19.9%
2 / 3BR	19.0%	11.0%	25.7%	18.1%	25.2%	17.4%	25.5%	16.4%	21.8%	20.6%	22.4%	20.7%	22.8%	20.9%
2 / SF	22.9%	13.3%	30.4%	21.4%	28.4%	19.6%	27.6%	17.7%	23.4%	22.0%	23.9%	22.1%	24.1%	22.0%
3 / Studio	8.4%	5.3%	12.4%	9.1%	15.1%	10.7%	18.1%	12.0%	16.7%	15.7%	17.5%	16.3%	18.3%	16.8%
3 / 1BR	10.9%	6.9%	14.8%	10.8%	16.5%	11.7%	19.4%	12.8%	18.0%	17.0%	18.9%	17.5%	19.5%	17.9%
3 / 2BR	13.2%	8.4%	18.2%	13.4%	19.5%	13.8%	21.5%	14.2%	19.6%	18.5%	20.3%	18.8%	20.9%	19.2%
3 / 3BR	15.1%	9.6%	22.4%	16.4%	22.8%	16.2%	23.8%	15.7%	20.9%	19.7%	21.5%	19.9%	21.9%	20.1%
3 / SF	18.2%	11.6%	26.5%	19.4%	25.7%	18.3%	25.7%	16.9%	22.3%	21.1%	22.9%	21.3%	23.1%	21.2%

Source: Aspen/Pitkin County Housing Authority, Consultant Team.

²⁴ Principal and interest are based on a 30-year fixed, 5% rate with 5% down. Taxes, Insurance and HOA comprise 20% of the mortgage payment. HOA dues average \$286 per month for APCA households based on the 2015 Employee Housing Survey.

APCHA owners pay an average of \$182 per month in utilities.²⁵ When the average cost of utilities is added to the maximum mortgage plus HOA payment for each Category, households earning the maximum income for each range are still generally able to afford APCHA homes. As shown below:

- Zero- and one-dependent households earning the *maximum* income in Categories 1 through 4 pay over 30% for rent plus utilities for some 3-bedroom and single family homes. None of the maximum income households pay more than 40% for mortgage/HOA plus utilities;
- As expected, the affordability for households earning at or near the minimum for each Category decreases.
 - Zero-dependent households have the most affordability problems, along with most lower-income households in Category 1.
 - Three-dependent households within qualifying income ranges would still pay less than 40% of their income to purchase a home in any Category.

²⁵ Source: Employee Housing Survey 2015; see Section 1 – Examination of APCHA's Affordable Housing Program for this data.

Percent of Monthly Income Spent on Mortgage, HOA and Utilities²⁶ by APCA Households: 2015

	Cat1		Cat2		Cat3		Cat4		Cat5		Cat6		Cat7	
Dependents / Unit	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
0 / Studio	26.8%	10.7%	22.3%	13.9%	22.7%	14.5%	23.8%	14.4%	20.0%	18.7%	20.8%	19.0%	21.4%	19.4%
0 / 1BR	35.8%	14.3%	27.2%	17.0%	25.2%	16.1%	25.7%	15.6%	21.8%	20.4%	22.5%	20.6%	23.0%	20.9%
0 / 2BR	44.9%	18.0%	34.1%	21.3%	30.3%	19.3%	28.9%	17.5%	23.8%	22.3%	24.4%	22.3%	24.8%	22.5%
0 / 3BR	51.7%	20.7%	41.7%	26.0%	35.7%	22.7%	32.3%	19.6%	25.7%	24.0%	26.0%	23.9%	26.3%	23.9%
0 / SF	61.1%	24.4%	48.9%	30.6%	40.4%	25.7%	35.0%	21.2%	27.8%	26.0%	28.2%	25.8%	28.2%	25.6%
1 / Studio	20.3%	8.8%	18.4%	11.7%	19.1%	13.3%	21.9%	13.7%	19.0%	17.8%	19.8%	18.2%	20.5%	18.7%
1 / 1BR	27.1%	11.8%	22.4%	14.3%	21.3%	14.8%	23.7%	14.8%	20.7%	19.4%	21.5%	19.8%	22.0%	20.1%
1 / 2BR	34.0%	14.8%	28.1%	18.0%	25.5%	17.7%	26.6%	16.7%	22.7%	21.3%	23.2%	21.4%	23.7%	21.6%
1 / 3BR	39.1%	17.0%	34.3%	21.9%	30.0%	20.9%	29.7%	18.6%	24.4%	22.9%	24.8%	22.9%	25.2%	23.0%
1 / SF	46.2%	20.1%	40.3%	25.7%	34.0%	23.7%	32.3%	20.2%	26.5%	24.8%	26.9%	24.7%	27.0%	24.6%
2 / Studio	12.9%	7.5%	15.6%	11.0%	17.9%	12.4%	20.3%	13.1%	18.1%	17.0%	18.9%	17.5%	19.7%	18.0%
2 / 1BR	17.3%	10.0%	19.1%	13.4%	19.9%	13.7%	22.0%	14.1%	19.7%	18.6%	20.5%	19.0%	21.1%	19.3%
2 / 2BR	21.7%	12.6%	23.9%	16.8%	23.9%	16.4%	24.7%	15.9%	21.6%	20.3%	22.2%	20.5%	22.7%	20.8%
2 / 3BR	25.0%	14.5%	29.2%	20.5%	28.1%	19.4%	27.6%	17.7%	23.3%	21.9%	23.7%	21.9%	24.1%	22.1%
2 / SF	29.5%	17.1%	34.2%	24.1%	31.9%	22.0%	29.9%	19.2%	25.2%	23.7%	25.7%	23.7%	25.9%	23.7%
3 / Studio	10.3%	6.5%	13.6%	9.9%	16.2%	11.5%	18.9%	12.5%	17.3%	16.3%	18.1%	16.8%	18.9%	17.3%
3 / 1BR	13.7%	8.7%	16.6%	12.1%	18.0%	12.8%	20.5%	13.5%	18.9%	17.8%	19.7%	18.2%	20.3%	18.7%
3 / 2BR	17.2%	10.9%	20.8%	15.2%	21.6%	15.3%	23.0%	15.2%	20.6%	19.5%	21.3%	19.7%	21.8%	20.1%
3 / 3BR	19.8%	12.6%	25.4%	18.6%	25.4%	18.1%	25.7%	16.9%	22.2%	21.0%	22.7%	21.1%	23.2%	21.3%
3 / SF	23.4%	14.9%	29.8%	21.8%	28.8%	20.5%	27.9%	18.4%	24.1%	22.7%	24.6%	22.8%	24.8%	22.8%

²⁶ Principle and interest are based on a 30-year fixed, 5% rate with 5% down, and 20% of payment to insurance, taxes and HOA. Utilities are estimated at \$0.15 per square foot based on an average of \$182 per month for APCA households, as reported by employees on the Employee Housing Survey 2015.

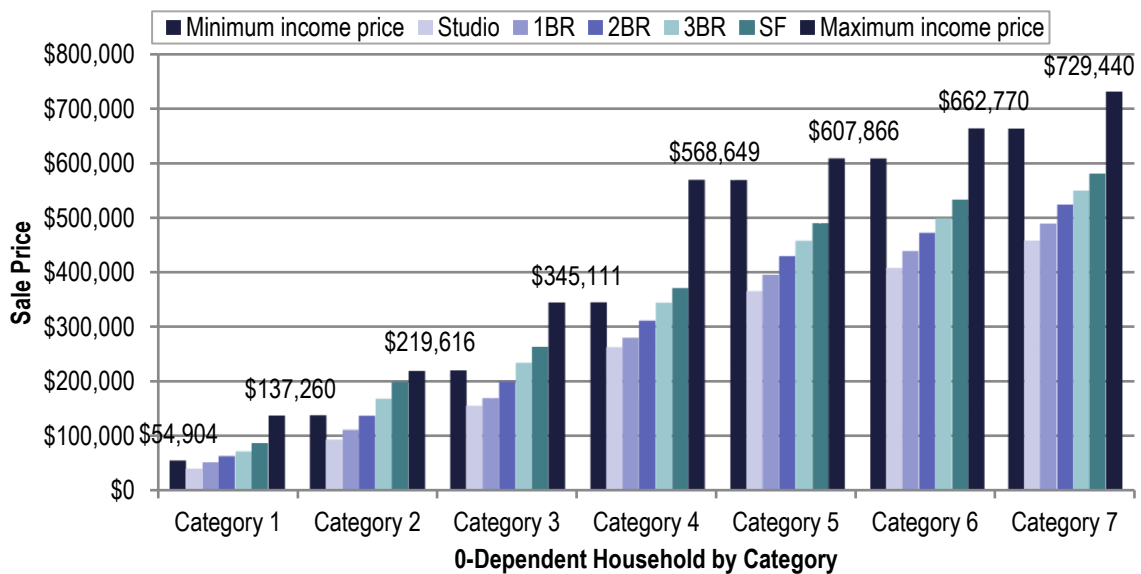
The following chart show the range of sale prices that zero-dependent households can afford to pay given the income range for each Category, with charts for other household sizes (one- through three+ dependents) in Appendix C.

The affordable range of sale prices is compared to APCA sale prices for each type of home, visually displaying where Category prices may exceed a household's ability to pay. This analysis supports the above findings that households earning below maximum incomes Category 1 and Category 2 have difficulty affording maximum sale prices.

For zero-dependent households:

- The *maximum* income in Category 1 can afford to purchase a home for about \$137,000. This is higher than the sale prices for all available unit types.
- The *minimum* income for Category 1 can afford to purchase a \$55,000 home. This household could afford to buy a studio based on current APCA prices based on the 30% standard.
- The ability for zero-dependent households earning the minimum income increases with each Category. This type of household can afford up to a one-bedroom unit in Category 2, a two-bedroom in Category 3 and larger homes in all remaining categories.

Figure 9. Sale Prices Affordable to Households Within the Permitted Income Range Compared to Maximum APCA Sale Prices: 0-Dependent Household²⁷



²⁷ Based on the standard that no more than 30% of income is used for housing payments, including mortgage principal, interest, taxes, insurance and estimated HOA. Category 1 minimum sales prices are calculated from the estimated minimum incomes in Table 35, above.

Remaining household sizes (one-dependent through three+-dependent) show a similar pattern of rising affordability as Categories increase. Only one-dependent households are limited in their selection in Category 1, with generally good options for other dependent-sized households across each Category.

Based on the above, APCHA may want to consider raising sale prices, mostly in Categories 2 or higher, though all Categories have room for increase. This may be desirable if a goal is to decrease subsidies to the program. Decreased subsidies to create the higher income Categories may permit increased subsidies to create lower income Categories.

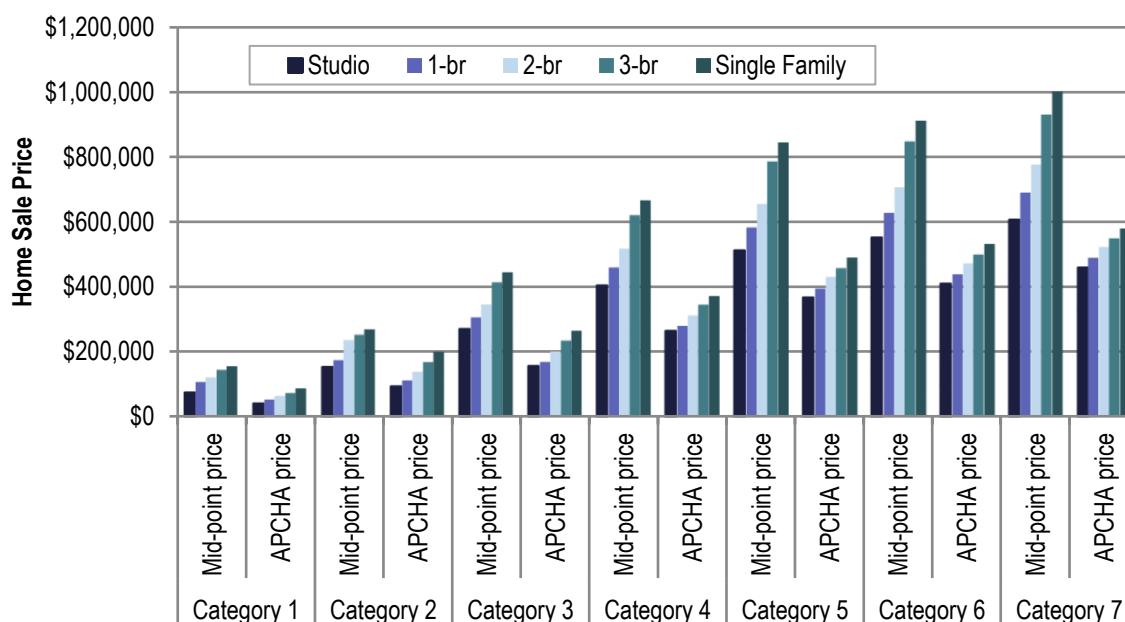
Estimated AMI For Sale Prices

The below presents one option that APCHA could consider. This shows the change in sale prices that would occur if APCHA changed to an AMI system based on the porting methodology presented in Section 2 – Income, Assets and Categories.²⁸ The calculation represents the mid-point sale price for the AMI range, meaning that some prices will be lower and some will be higher. As shown:

- Sale prices are estimated to increase across the board, with proportionately higher increases in Category 1 than in other Categories. Increases average between about 55% to 90% across Categories.²⁹
- Part of the reason for this large increase is related to the sale price assumptions, resulting in households being able to afford homes that are about 3.9 times larger than their incomes. As shown in Table 31 at the beginning of this section, average APCHA sale prices average much less than this.
- The interest rate of a loan can have a large impact on affordability, generally reducing a household's purchasing power by just over 5% for every 0.5% rise in the interest rate. High HOA dues, which are common in high cost resort communities, can also affect affordability.

²⁸ See Appendix C for details on the calculation methodology and assumptions made.

²⁹ Appendix C has a detailed table showing the percentage change in rents for each unit type.

Figure 10. Estimated AMI Sale Prices Compared to Maximum APCA Sale Prices

Affordable sale price estimated based on principal and interest for a 30-year fixed rate mortgage at 5% interest rate, 5% down payment and 20% of mortgage for insurance, taxes and HOA and a mortgage payment that comprises 30% of household income.

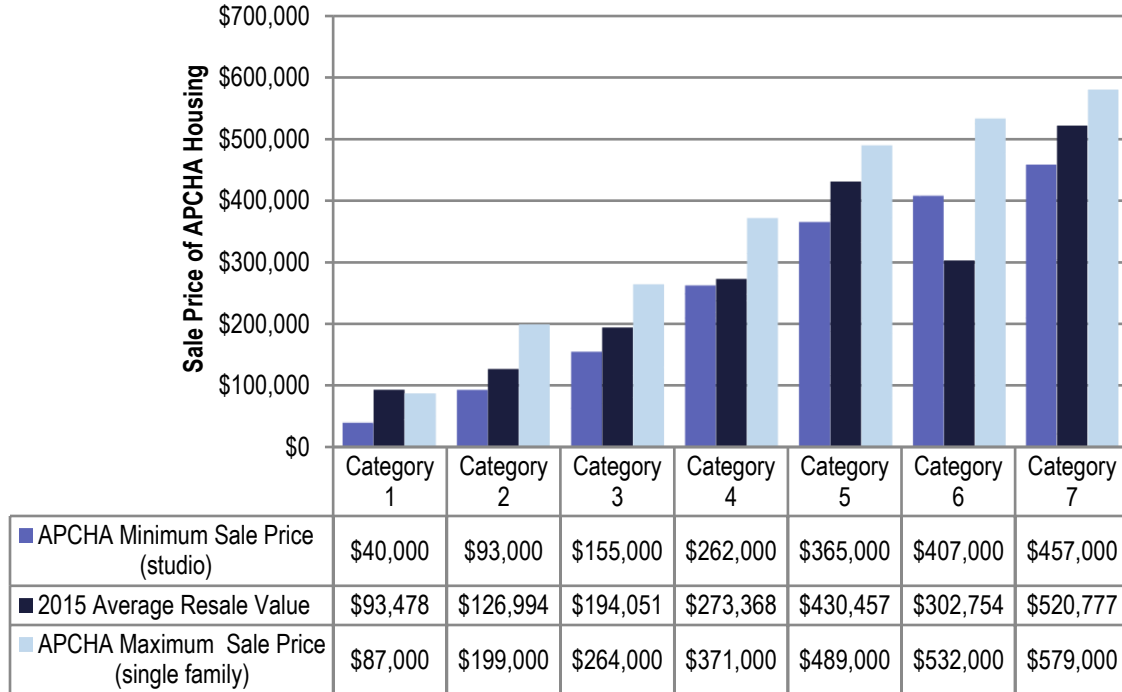
Source: Employee Housing Guidelines 2015, Consultant Team.

APCHA Re-Sales

For re-sales of APCA homes, the deed restriction recorded on the unit controls the maximum resale price. There are appreciation caps on the Category units and some RO units. This appreciation cap varies by property and may allow a fixed 3%, 4% or 6% increase per year; the lesser of CPI or 3%; or the lesser of CPI or 6%.

It is uncommon for a seller to obtain less than the maximum allowable sales price despite the condition of the property, as there are typically multiple bidders. The buyer purchases "as is" based on strong demand and limited supply.

Comparing the average appreciated value for homes in each Category, *plus permitted Capital Improvements*, the average permitted sale price for existing homes in 2015 falls in the middle of the permitted range for new unit sales, except for Category 1. Only homes in Category 1 have appreciated to sale prices that exceed the targeted price range for new Category 1 units.

Figure 11. 2015 Resale Value Compared to APCA Sale Prices by Category: 2015

Source: Employee Housing Guidelines 2015, Consultant Team.

The below table compares the incomes needed to afford the average maximum resale prices to APCA income limits. This shows that the average income needed to afford an average resale unit in all Categories falls below the maximum income limit for zero-dependent households. This indicates that resale prices on average would be affordable to APCA Category households.

Table 36. Incomes Needed to Afford Current Sales Prices

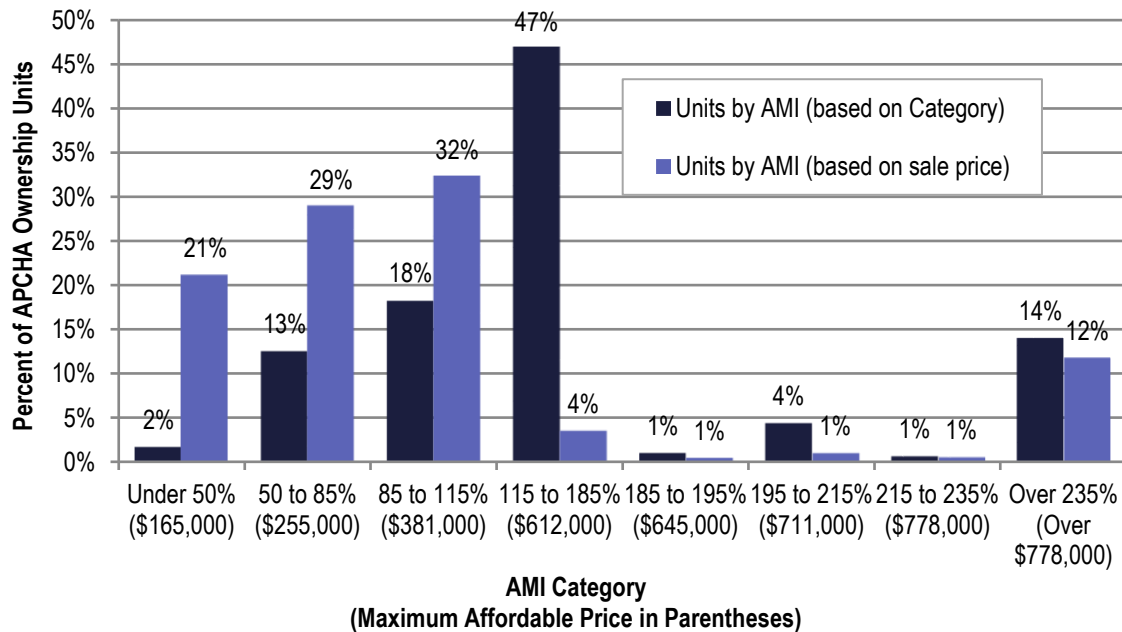
Category	2015 Average Resale Price	Income Limits by Number of Dependents				
		Income to Afford*	0	1	2	3+
1	\$93,478	\$23,836	\$35,000	\$42,500	\$50,000	\$57,500
2	\$126,994	\$32,382	\$56,000	\$66,500	\$71,000	\$78,500
3	\$194,051	\$49,481	\$88,000	\$95,500	\$103,000	\$110,500
4	\$273,368	\$69,706	\$145,000	\$152,500	\$160,000	\$167,500
5	\$430,457	\$109,762	\$155,000	\$162,500	\$170,000	\$177,500
6	\$302,754*	\$77,199	\$169,000	\$176,500	\$184,000	\$191,500
7	\$520,777	\$132,793	\$186,000	\$193,500	\$201,000	\$208,500
RO	\$906,376	\$231,117	N/A	N/A	N/A	N/A

Affordable purchase prices are based on a 30-year fixed, 5% rate loan with 5% down, principal, interest, insurance, HOA and taxes are assumed to be 20% of the monthly payment. *Category 6 includes some mobile homes in Woody Creek, which are priced below Category 6 rates, lowering the average value. Source: Aspen/Pitkin County Housing Authority; Consultant team.

The below chart better illustrates the discrepancy between APCA's sale prices and specified incomes for each Category. This chart distributes APCA's inventory by AMI based on their labeled Category³⁰ and compares this to the unit distribution by AMI based on its actual sale price.

This shows that that sale prices are set very affordable relative to the maximum incomes specified for each Category. For example, only 2% of units are classified as "Category 1" but 21% of units are priced affordable to households that income qualify for "Category 1." This means that prices should be able to be increased without compromising affordability for income-qualifying Category households.

Figure 12. AMI Affordability of APCA Units Based on Income Category Designation and the Resale Price of Units: 2015



Source: Employee Housing Guidelines 2015, Consultant Team.

Affordability of New APCA Units Over Time

Two additional factors relate to the affordability of APCA's housing program:

- 1) The affordability of the program to individuals applying to the program over time, and
- 2) The affordability of APCA's Categories to the group of Pitkin County working households as a whole over time.

³⁰ For example, the income needed to qualify for Category 1 is about equivalent to a 50% AMI level on average – all Category 1 units were placed into the 50% AMI bin regardless of their specified price point.

Affordability to Individuals Over Time. This is analyzed by determining whether APCA's maximum rents and sales prices have changed at a similar, faster or slower rate than Category incomes for newly deed restricted units. If, for example, maximum rents and sale prices increased at a faster rate than qualifying maximum incomes, then this means that the affordability of new deed restricted units has decreased over time for qualified households.

The average income and housing price change is presented below. With few exceptions, rents have increased at either the same or slightly lower rate on average than incomes since 2000.³¹ This indicates that the base affordability of the program for new applicants occupying newly restricted rentals has remained fairly consistent over the years.

Table 37. Average Percent Change in APCA Maximum Rents and Maximum Incomes by Category: 2000 to 2015

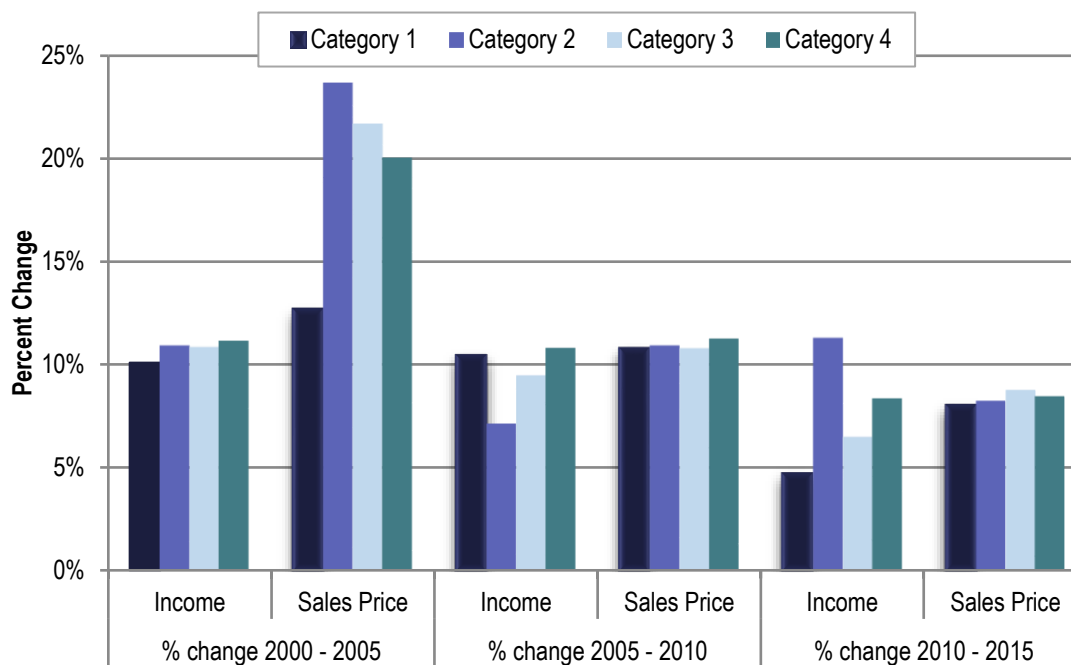
Time Period		Category 1	Category 2	Category 3	Category 4
% change 2000 - 2005	Income	13%	13%	12%	12%
	Rent	12%	12%	12%	-3%
% change 2005 - 2010	Income	12%	10%	11%	11%
	Rent	11%	11%	11%	11%
% change 2010 - 2015	Income	9%	10%	8%	9%
	Rent	8%	8%	8%	8%

Source: Aspen/Pitkin County Housing Authority, Consultant Team.

For ownership, sale prices have been permitted to increase at faster rates than incomes on average. This varies by Category and unit type, however. Incomes for households with two or more dependents have increased more slowly than households with fewer dependents, indicating affordability of new homes for larger families has decreased over time. Based on the affordability tables presented above, however, units within each Category are more affordable to these larger households than to households with fewer dependents, indicating that sale prices had room to grow and still remain affordable for these households.

³¹ The year 2000 was chosen because this was the first year in which APCA calculated different income requirements for rentals (based on the number of adults in the household) and ownership (based on the number of dependents in the household).

Figure 13. Average Percent Change in APCA Maximum Sales Prices and Maximum Incomes by Category: 2000 to 2015



Source: Aspen/Pitkin County Housing Authority, Consultant Team.

Affordability to Working Households Over Time. This is analyzed by determining whether the change in APCA's incomes has continued to serve the same target-income households over time. If, for example, the specified income range for each Category has increased to serve a higher target-income household group over time, then this means that the affordability of the program to Pitkin County workers as a group has decreased.

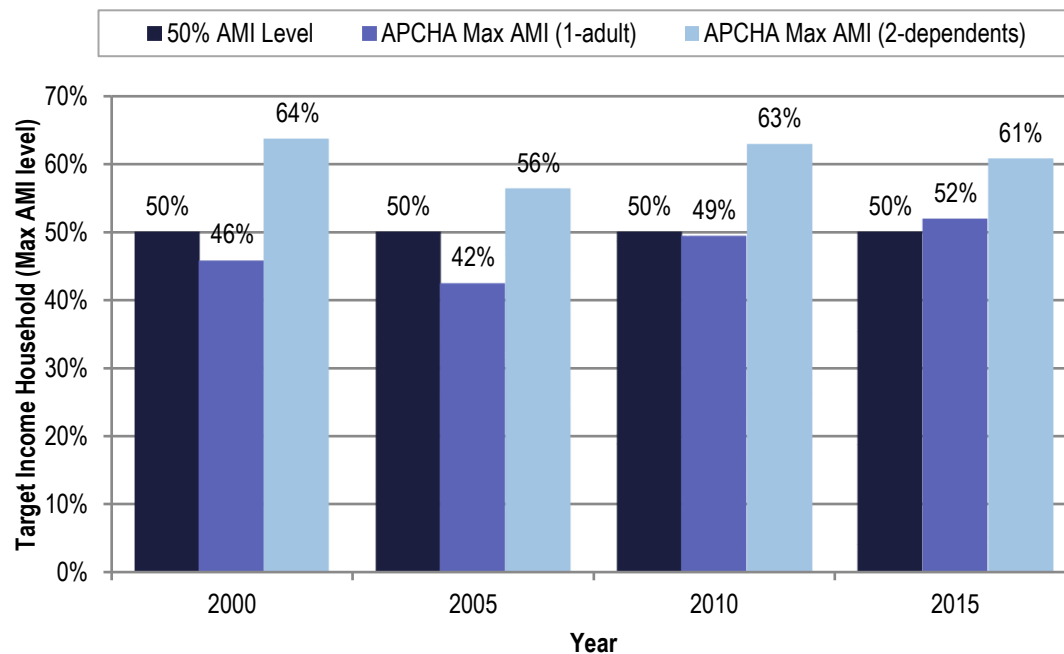
Under the current adult/dependent and income-calculation system, APCA's defined incomes have targeted varying income levels of households over time for every Category of housing. An advantage of linking income limits to HUD AMI is that the target income market would remain constant over time.

The below chart shows how the target income level changes over time under APCA's system. The graph shows the maximum AMI level that has been served by Category 1 for one-adult (renters) and two-dependents (owners) households since the year 2000 (in five-year increments). It also shows what AMI level would have been served each year if APCA's system had been based on HUD's AMI system, targeting Category 1 to serve 50% AMI households. As shown:

- The HUD AMI system would have resulted in the program targeting 50% AMI households in each successive year regardless of household size;

- APCHA's current income-calculation method results in a program that does not consistently serve the same target income market each year. As shown, maximum AMI levels have fluctuated from 42% to 50% for one-adult renter households and from 56% to 64% for two-dependent owner households; and
- A similar pattern occurs for all adult and dependent-sized households across all Categories.

Figure 14. Change in Maximum AMI for Category 1: 2000* to 2015³²



*The year 2000 was selected as a start date because this is the first year for which incomes were defined for households by both number of adults and number of dependents.

Source: Aspen/Pitkin County Housing Authority, Consultant Team.

Other Impacts to the Affordability of APCHA's Units

The focus of affordability is often isolated to the initial sales price and the appreciation cap. As the housing program has evolved, it has become evident that other aspects affect the ability to preserve affordability over time, including deferred maintenance, capital improvements, and interest rates.

³² See Appendix C for charts showing similar changes for Categories 2, 3, and 4.

Deferred Maintenance

As the housing inventory matures, challenges with deferred maintenance have become apparent. In most housing markets, deferred maintenance results in a reduced sales price. This frequently does not occur upon resale of APCHA units. Because deed restricted units are in limited supply, priced well below market and in such high demand, units have often sold for their maximum resale prices regardless of their condition and maintenance history and APCHA's best attempts to enforce minimum standards for maximum sale price. In some instances, sellers have issued a credit to buyer's closing costs (for inspection items) and/or made particular repairs and/or replacements. But in many instances because owners can collect maximum resale prices despite unit condition, there is little to no incentive for the owner to maintain the unit.

APCHA does require the homeowner to maintain their unit in good repair and, if a member of an HOA, to pay dues to enable the association to maintain the exterior and common elements of any shared property. APCHA's enforcement of both of these standards, however, is difficult because of vague minimum standards, limited communication between APCHA and the HOAs, and APCHA's only remedy to cure a violation is to force a sale, which is very heavy handed.

"There is desperation in the lottery - happy to take a D+ property – at any price and condition" – Interview comment

If maintenance is not performed over time, the cost of homeownership can quickly become unaffordable. As units have transferred ownership over the years and awareness of the need to maintain units has increased, APCHA is now confronted with the challenge of addressing costly deferred maintenance within the system.

Capital Improvements

An increase in the maximum sales price for certain capital improvements is used as an incentive to maintain and improve deed restricted units. APCHA adopted a Capital Improvement policy about 5 years ago that allows a 10% increase in the maximum sales price for each new owner. Any capital improvements associated with health and safety, energy efficiency, water conservation, and green building products are exempt from the 10% cap. All improvements are depreciated based on the Marshall Swift Residential Handbook.

Although Capital Improvements cut down on maintenance expenses, the increase in appreciation makes units less affordable over time.

Interest Rates

Interest rates can significantly impact affordability. Even if prices rise faster than incomes, the units may still be affordable if interest rates drop. Interest rates peaked in the early 1980's during the beginning of the APCA housing program, and have trended down since then with an extended period of historically low levels. It is likely that interest rates will increase in coming years giving purchasers less buying power making homes less affordable.

Comparison to Peer Communities – Breckenridge, Jackson, Telluride, Vail

All five communities have often grappled with the question, “What is affordable?” For years, they focused on initial prices and capping annual appreciation at no more than 3%. More recently, their concerns about preserving affordability over time are expanding to take into account the cumulative impacts of annual appreciation in combination with capital improvements, special assessments and the need to address deferred maintenance.

Initial Prices/Rents

Towns have learned through a common mistake that prices must be set at some point within the range rather than at the maximum allowed, as has been pushed when trying to minimize subsidies. Prices at the upper end of the category eliminate most of the potential buyers/renters with incomes that fall within the category or they force buyers to stretch their resources and potentially own homes they really cannot afford. Towns have learned to set prices below income caps. Breckenridge includes a 10% price differential – units with income caps of 90% AMI are priced at 80% AMI. Telluride has an even wider range – Tier 1 units have income limits of 120% AMI and targets prices at 70% AMI for one bedroom and 90% AMI for two and three bedrooms.

Price Appreciation Limits

These five towns are committed to preserving affordability over time through limits on appreciation; however, these limits may not be imposed on all units, they may vary by project or even within developments, and may vary on their effectiveness at maintaining the affordability of units over time. Price caps are sometimes derived by compromise between officials who advocate that workforce housing owners should have the same rights for return on investment as others, or that the market should interfere as little as possible, especially on units developed by the private sector. In Aspen and Telluride, all units produced in recent years are price capped. In Vail, the majority of the inventory does not

have price or rent limits. In Jackson, “attainable” units serving higher income categories are not price capped.

Resale Price Guarantees

The Recession and softening of workforce housing prices in some communities (though not in Vail) caused some residents of workforce housing to realize that their 3% caps on annual appreciation were not guarantees of 3% appreciation, despite provisions in their deed restrictions. These inaccurate perceptions still persist in some towns. In Breckenridge, the lessor of 3%, or the change in the AMI, is strictly enforced even when the AMI decreases. If the AMI decreases, it is treated as 0% appreciation permitted for that year. However, in Jackson, if the AMI decreases the home is depreciated by the change in AMI.

Evaluating Affordability over Time

Changes in affordability over time have not been regularly evaluated by comparing the AMI required to afford the initial price to the AMI needed for subsequent purchases. Price is not the only factor in this evaluation. Interest rates significantly impact affordability. So even if prices rise faster than incomes, they may still be more affordable if interest rates have dropped. With interest rates relatively steady in recent years, this had not been much of an issue but will likely impact affordability to a greater extent long term.

Capital Improvements

Capital improvements are allowed with limitations. Each town has a list of improvements, the cost for which can be added to the resale price. Luxury improvements are not allowed. Towns vary as to the eligibility of additions and to depreciation of improvements. The Town of Breckenridge allows up to 15% to be added to the resale price for approved and, in some cases, specified capital improvements for the life of the property – once capital improvements exceed 15% more than the sale price to the *first* owner, then the price of capital improvements cannot be added to the resale value.

Special Assessments

Special Assessments can be added to the resale price in Vail, where major roof repairs were needed on one development due to design/construction issues. Adding the cost of special assessments to the price encourages homeowners to make the extensive work needed rather than opting for a less expensive but short-term solution. There are problems with across-the-board application of this approach, however. Special assessments make the homes less affordable over

time. If the assessments are due to deferred maintenance, it could be a form of bail out for the HOA.

Deferred Maintenance

Deferred Maintenance is starting to become a problem as inventories age, not only in Aspen but in other communities as well. Jackson requires a third party inspection requiring a standard level of maintenance and allowing some negotiations between seller and buyer on price. Good communication with property managers/HOAs will become increasingly important. Vail is concerned about HOA's holding fees steady and not being prepared for costly improvements when inevitably needed in the future. Breckenridge has learned that HOA's are needed to maintain exteriors on projects other than just condominiums. Towns have required initial capitalization of reserves, with Telluride providing seed funding. Towns have not, however, assumed on-going responsibility for monitoring HOA's and ensuring that fees are increased as needed over time to adequately maintain properties.

Section 4 – Household Size and Qualifications

Purpose

This section analyzes APCHA's system for establishing eligibility for housing. Applicants for both ownership and rental housing must *qualify for a specific income category and number of bedrooms*. Income qualification and bedroom size qualification are based on different standards:

- *Income qualification* is based on a dual system with separate criteria for owners and renters and is not measured by the total number of persons in the household, but rather the number of adults (for renters) or the number of dependents (for owners).
- The *number of bedrooms* an applicant is allowed to rent or purchase, on the other hand, is determined based on the total number of persons in the household for both ownership and rental.

The focus of this section is on how income size is determined and impacts APCHA's housing programs. It covers in order:

- The basis for income compared to bedroom qualifications;
- The different methodologies for income qualification for owner and renter households, analyzing the pros and cons of two methodologies versus a single calculation for household size.
- The basis for qualifying households for a specific number of bedrooms.

The methods employed by peer communities and HUD programs are reviewed in each section. This section builds upon information presented previously, identifying issues that should be considered when reviewing APCHA's system for qualifying households.

Different Income and Bedroom Qualifications

The two ways by which household size is determined for income category and the number of bedrooms qualifications were created for distinct reasons:

- The income system was designed to recognize the differences between households that rent compared to those who own. Counting only dependents in ownership housing was done since relatively more families own, while counting only adults in rentals was due to a relatively high proportion of singles living alone or with income-earning roommates.

- The bedroom qualification system based on total household size was designed to maximize utilization of the units by minimizing unused bedrooms while preventing overcrowding.

The result is a unique, confusing and administratively burdensome system. Specifically:

- Neither HUD nor any peer community has different methods for determining household size. All base household size on the total number of occupants that will reside in the home. While there may be slight variation in the way that dependent children are counted when they divide their time between divorced/separated parents, the calculation is generally very straightforward.
- Employees who want to live in APCA housing would have to go through three household size calculations to determine the number of bedrooms for which they would qualify and how much they could earn to qualify for a rental or ownership unit. This is confusing to applicants.
- The time it takes for staff to perform the three household size calculations and to explain why different methodologies are used to the applicants contributes to high staffing levels. APCA has roughly three to four times the staff members as do housing authorities in peer communities. The large size of APCA's inventory is a prime reason for the large staff; however, this large inventory also compounds the administrative burden of its complicated system – multiple calculations of household size for nearly 3,000 units adds up to a lot of staff time.

Income Qualification - Distinction between Owners and Renters

As described earlier, Aspen quantifies household size differently when establishing income Category eligibility for both ownership and rental housing:

- For rental housing, the income Category is based on the number of adults.
- For home ownership, only the number of dependents is counted regardless of the number of income earners.

The definitions for Qualified Adults and Dependents are in the appendix.

Differences between a dual system as compared to a single calculation methodology based on the total number of persons residing in the household is summarized in the following table.

Table 38. Dual and Single-System Comparison

	Dual System Adults in Rental Dependents in Ownership	Single System Total Persons in Household
Equity in Housing the Workforce	Disfavors families	Removes household type from the factors influencing who is housed
Affordability	Rents less affordable for households with dependents; Purchase prices less affordable for larger family households in upper Categories.	If incomes are the same, rents would be the same regardless of household type – bedrooms would become the only variable
Income Categories	May qualify for homes in different ownership and rental Categories.	Consistent categories for owners and renters
Compatibility with AMI	Not compatible	Compatible
Fair Housing	Raises concerns about discrimination based on familial status	Not based on familial status
Administration	More complicated	Less complicated

Equity in Housing the Workforce

The extent to which the dual system for household size calculation has been effective at achieving its purpose is difficult to measure because of the significance of other factors, primarily product type and bedroom mix, and the lack of historic occupancy data for comparative evaluation.

- It appears that the current system is *not* effectively contributing to housing families in ownership. More than 20% of APCHA owner households are adults living alone. There are relatively fewer single-parent families, couples and couples with children residing in APCHA ownership than among all households working in Pitkin County (75% compared with 85%).
- Renters living alone or with roommates continue to dominate occupancy of rental housing (64% of units) and will likely to do so under the current system that bases income qualification on multiple income earners with no dependents. Families are under served by APCHA's rental housing – 56% of Pitkin County employee households are families, yet families reside in only 36% of APCHA's rental units.

Table 39. Household Makeup by Owners and Renters

Type	Owners		Renters	
	Households Employed in Pitkin County	Employed APCA Households	Households Employed in Pitkin County	Employed APCA Households
Adult living alone	12%	21%	26%	43%
Single parent with child(ren)	5%	10%	5%	5%
Couple, no child(ren)	35%	27%	27%	19%
Couple with child(ren)	42%	37%	18%	11%
Unrelated roommates	1%	1%	17%	21%
Immediate and extended family members	3%	1%	6%	1%
Other	1%	1%	1%	1%
Average Household Size	2.7	2.5	2.5	2.0

Source: Employee Housing Survey 2015

Peer communities address the varied housing needs of their workforce primarily by unit design and bedroom mix. They apply an analysis of their workforce household demographics to decisions targeting units to meet different households with product variety and bedroom mix.

Affordability

With the current dual system, affordability must be analyzed separately for rental and ownership housing.

Rental

This system works to the disadvantage of families since each Category is relatively less affordable to households with dependents than adult-only households. For example, one adult can be a person living alone or a single-parent household (one adult, one child). Both households can earn up to \$35,000 and qualify for Category 1; however, the single parent is supporting two people with that same income.

Using the recommended single system applied to AMI would better serve households with dependents. For example, as shown below, a roommate household with two people will be placed in a Category 1 unit. A single-parent household with two people earning \$40,000 will be placed in a more expensive rental unit under Category 2. In a revised AMI system both households would qualify for a Category 1 rental unit.

Table 40. Rental: Category 1 APCA vs AMI

Household Type	Persons in Household	APCHA Household Group	Household Income	APCHA Rental Category	AMI Rental Category
Single Parent Family	2	1-adult	\$40,000	Cat. 2	Cat. 1
Roommate Household	2	2-adult	\$40,000	Cat. 1	Cat. 1

Source: Employee Housing Guidelines 2015, Consultant Team.

Ownership

APCHA's scaled incomes based on number of dependents works to the disadvantage of larger families (with the exception of Category 1 and to some extent Category 2). As family size increases, the maximum AMI that that family can earn to be eligible for Categories 3 or higher decreases. Each Category of housing above Category 2 is relatively less affordable to progressively larger families.

Compatibility with AMI

Multiple reasons have been put forth in this report for converting from current income categories to ones based on AMI. For this conversion, switching from a dual renter/owner system for calculating household size is also necessary. AMI is based on the total number of persons per unit. Counting only some of the occupants (the adults or the dependents) would not result in classifications appropriate for the household.

Impact on Income Categories

The dual calculation method could result in applicants being classified in different income Categories. The incomes in each Category are higher for renters than owners. This is a function of the larger increases permitted for renters that add another "adult" compared to owners who add another "dependent." For example, a Category 1 renter might only be allowed to qualify to purchase a Category 2 home.

Table 41. Income Categories: Rental vs Ownership

	Household type	APCHA size class	Household's Income	Category 1 Max Income	Qualification Category
Rental	Couple, no kids	2-adult	\$50,000	\$52,000	Cat 1
Ownership	Couple, no kids	0-dependent	\$50,000	\$35,000	Cat 2

Source: Employee Housing Guidelines 2015

Fair Housing Concerns

Families are a protected class under the Fair Housing Act. This means that Familial status is one basis for discrimination under Fair Housing regulations. There can be no preference for one type of household over another. A rule or policy need only have a discriminatory effect to violate the Fair Housing Act; discriminatory intent is not required.³³ The current system of basing qualification and APCHA-calculated income limits for *ownership* on number of “dependents” and for *rental* on number of “adults” disadvantages larger families and may raise Fair Housing Act concerns. More specifically:

- Income caps calculated for ownership Categories do not equitably reach households within the same AMI group. Specified income caps allow a household with no dependents to earn a higher AMI (or relative income) in most Categories than households with one or more dependents. This was illustrated in a table in Appendix B (Dependent Households in Estimated AMI Categories: 2015).
- Basing rental categories on the number of adults disadvantages households with children. Households with children may have the same number of income earners as one- or two-adult households, but must support more persons with their income. This was illustrated above in Table 41.

In contrast to APCHA’s income calculation system, HUD AMI limits are calculated for every area with adjustments for family size. Family size adjustments are made to meet the intent of Congress that income limits within each AMI range should be higher for larger families and lower for smaller families. The same family size adjustments are used for all income limits, as follows:

Table 42. Percentage Adjustments for Family Size: 2015

Number of Persons in Family							
1	2	3	4	5	6	7	8
70%	80%	90%	Base	108%	116%	124%	132%

Source: HUD, “FY2015 HUD Income Limits Briefing Material,” Office of Policy Development & Research, p.9.

As a result, to base income qualification on the number of adults only or the number of dependents only could open the door to complaints of discrimination. Using the total number of persons regardless of familial status as done by HUD and peer communities would address this concern.

³³ See Department of Housing and Urban Development, “Implementation of the Fair Housing Act’s Discriminatory Effects Standard,” 78 Fed. Reg. 11460 (February 15, 2013).

Administration

A dual system complicates administration and takes additional staff time in several ways:

- Calculating and applying different household sizes if applicants are considering both ownership and rental housing options.
- Explaining the two methods to employees who need to explore all of their options for living in Aspen and Pitkin County.
- Updating two sets of income tables annually instead of just one.
- Evaluating program performance by complicating the factors that influence outcomes; i.e. the more variables, the greater the difficulty of understanding the impact of any one of them.

Bedroom Qualification

Federal Household Size Restrictions and Fair Housing

The Department of Housing and Urban Development (HUD) does not have a fixed standard to define occupancy minimums or maximums in HUD subsidized properties. Minimum standards are typically put into place to prevent abuse of the system – e.g. by a single-person occupying a two- or three-bedroom unit based on one income, then illegally renting out one of the bedrooms. Maximum standards are often used to prevent overcrowding of units.

Owners of HUD subsidized properties must develop occupancy standards that specify the unit size and number of bedrooms appropriate for different family sizes. Occupancy standards ensure that tenants are treated fairly and consistently, and receive adequate housing space. An example of occupancy standard is a limit of two persons per bedroom. Maximum occupancy limits can raise Fair Housing Act concerns, whereas occupancy minimums are neither required nor prohibited by the Fair Housing Act.

While HUD has stated that “an occupancy policy of [no more than] two-persons per bedroom, as a general rule, is reasonable under the Fair Housing Act,” other factors, such as the number and size of bedrooms, age of children, the overall size of the dwelling unit, and state and local laws need to be considered in determining a reasonable level of occupancy. In general, an occupancy policy which limits the number of *people* per bedroom is more likely to be considered reasonable than one that limits the number of *children* in light of Fair Housing concerns.³⁴

³⁴ See Department of Housing and Urban Development Occupancy Standards Statement of Policy, 63 Fed. Reg. 70,256 (December 18, 1998).

CHFA Household Size Limits

Similarly, affordable rentals constructed under the Low Income Housing Tax Credit (LIHTC) program³⁵, at least since 1990, do not have program-specified unit maximum or minimum occupancy limits, although limits may be imposed by individual property owners/managers. All units receiving current LIHTCs have rent restrictions based on number of bedrooms, imputed household size (an assumed 1.5-persons per bedroom) and AMI. The scaled rents and AMI income requirements helps control for 'under-occupancy' of units. For example, a single-person household earning within the targeted AMI level would typically not income-qualify for a higher-rent three-bedroom unit.

APCHA's Qualifications

Aspen, like most peer communities, uses criteria to match the size of applicant household to the number of bedrooms they are qualified to own or rent. The total number of persons in a household, including qualified adults and dependents, are counted in determining the unit size for which an APCHA applicant may qualify.

The priority is one qualified person per bedroom; however, applicants may in some cases qualify for a larger unit. In a two-person household of two adults only (no dependents) both adults must be working in Pitkin County to qualify for an additional bedroom. APCHA also has a maximum size limit of two persons per bedroom in rental product to prevent overcrowding.

APCHA maintains specific criteria related to dependents including, among other things, custody and unborn children. Below is the example in the Guidelines to assist potential buyers/renters on how the household size is determined to qualify for bedrooms:

³⁵ The LIHTC is an indirect federal subsidy that finances low-income housing. The program provides tax incentives to encourage individual and corporate investors to invest in the development, acquisition, and rehabilitation of affordable rental housing. See in Section 42 of the Internal Revenue Code for LIHTC provisions.

- Two qualified adult applicants in a single household qualify for a two-bedroom unit.
- One qualified adult with a single dependent in the household qualify for a two-bedroom unit.
- Two qualified adults with two dependent children in the household shall qualify for a four bedroom.
- A qualified adult married to a non-qualified spouse qualify for a one-bedroom unit.
- A qualified adult married to a spouse caring for dependent children in the household shall qualify for one bedroom per adult and one bedroom per dependent.

Ownership Units

The household size standards apply at time of purchase for ownership units. This process creates a high occupancy rate at time of purchase or lease and reflects the household makeup at that specific time. Households are not static, and the occupancy of the unit, as measured by occupied bedrooms, changes over time.

Since APCHA's housing program has a long history, household composition has changed for many residents yet, with limited opportunities to move into larger or smaller homes, mismatches between household size and number of bedrooms occurs. Examples include empty nesters in 3-bedroom units and families with children in 1-bedroom units.

Rental Units

The household size standards apply at time of lease for rental units, and require requalification every two years. For example, for a two-adult household to maintain a 2-bedroom unit, both adults must show full-time employment in Aspen/Pitkin County until reaching retirement age.

Roommates are permitted, and individuals residing in 2- or 3-bedroom units must have each bedroom filled with qualified tenants, meaning 1 qualified adult or dependent per bedroom.

There is more oversight ability with rental units to maintain a high occupancy rate. For families, however, this is challenging. Growing families may need more space and seek a larger unit, if available; shrinking families (empty nesters) may be forced to lease a bedroom to another qualified tenant or risk losing their rental. There is limited stability over the long-term.

Peer Community Comparison (Breckenridge, Jackson, Telluride, Vail)

Household Size Calculations

All peer communities calculate the size of the household based on total persons that will reside in the home. Breckenridge uses this only for income qualification purposes and does not match the number of persons per household with the number of bedrooms.

Bedroom Occupancy Standards

Standards are typically used to match households with available homes (Breckenridge is an exception). For example, a single person living alone can buy a studio or 1-bedroom unit while only families with three or more members can buy 3-bedroom units.

This practice was created because demand for affordable housing in these communities outweighs availability. Minimum occupancy requirements help increase the utilization rate of limited resources, ensure larger households have access to the larger homes and protect against potential fraudulent use of units (e.g. illegal rental of unoccupied bedrooms). This practice can be problematic, however. If opportunities to move up or down within the workforce housing inventory are inadequate, as is usually the case, it is difficult to serve households as their needs change over time.

The high utilization rate only reflects the household's conditions at the time of purchase. Designs with flex space can offer an alternative. At the Wellington neighborhood in Breckenridge, some units were constructed with unfinished space. The cost to finish this space and increase the usable floor area of the home as families grow could then be added to the sale price as an allowable capital improvement.

Table 43. Peer Community Bedroom Occupancy Standards

Peer Community Bedroom Occupancy Standards		
	Minimum	Maximum
Aspen	1 qualified person per bedroom (adult or dependent)	2 persons per bedroom in rental product
Breckenridge	None	None
Jackson	Rental: 1 person per bedroom; Ownership: 3+ persons per 3 bedroom, no other minimums	None
Telluride	1 bedroom - 1 person 2 bedrooms - 1 person 3 bedrooms - 2 persons 4 bedrooms - 3 persons	None
Vail	3+ household members for 3 BR units; no other minimums	2 persons per bedroom

Appendix A: Supporting Data for Section 1 – Examination of APCA's Affordable Housing Program

This Appendix summarizes the demographics of employee households residing in APCA housing to households employed in Pitkin County overall based on information from the 2015 Employee Survey. The findings from this analysis are presented in the report (Section 1 – Examination of APCA's Affordable Housing Program). This Appendix presents the data behind the findings.

The purpose of this analysis is to understand how well APCA's inventory of both ownership and rental units are meeting employee needs and which segments of the workforce may be adequately served or under-served by APCA's housing in relationship to all Pitkin County working households.

In interpreting the data for this section:

- Where the percentage of households within a certain demographic (e.g. couples with children) that are occupying APCA units is *lower* than that for employee households overall, this means that APCA units are under-serving this population.
- Where the percentage of households within a certain demographic (e.g. adults living alone) that are occupying APCA units is *higher* than that for employee households overall, this means that APCA units are over-serving this population.
- If APCA is serving the same mix of households as those that are employed in Pitkin County in total, then the percentage of APCA occupants for any demographic will approximately equal that for employed households overall.

Household Composition and Size

The composition of ownership and renter households shows distinct differences. Owners are more likely to be comprised of couples or couples with children, whereas renters have a higher percentage of adults living alone and roommate households than owners. These are important considerations when designing units for employee occupancy.

Comparing occupants of APCA ownership housing to employed households overall:

- A higher percentage of APCHA owners are “adults living alone” and “single parents with children” than employed households overall, meaning that these households are being well-served by APCHA housing. Single-parent households typically face more significant housing struggles than other household types, meaning that over-serving this population with affordable housing may be desirable.
- A lower percentage of APCHA owners are “couples without children” and, to some extent, “couples with children” than employed households overall, meaning that these households are being under-served by APCHA housing. This is consistent with both survey and interview comments that suggest a need for more desirable options for families. Desirable for families was defined in interviews and survey responses as larger (2+ bedrooms), pet friendly, parking, storage, like the Aspen School District units, townhomes or single family homes with outdoor space.

For renter households:

- “Couples” and “couples with children” are both under-served by APCHA housing.
- There is a comparatively high percentage of adults living alone (43%) in APCHA units, which is not surprising since 46% of APCHA's inventory are studio and one-bedroom units.
- APCHA renters have a much lower average household size than employed renters in total, which is consistent with the large number of studio and one-bedroom rentals. APCHA also does not permit more than two persons per bedroom to occupy rentals, avoiding the overcrowding that may otherwise occur in the rental market. Per interviews with stakeholders and employers, renters often have more people living in the unit than appear on the lease.

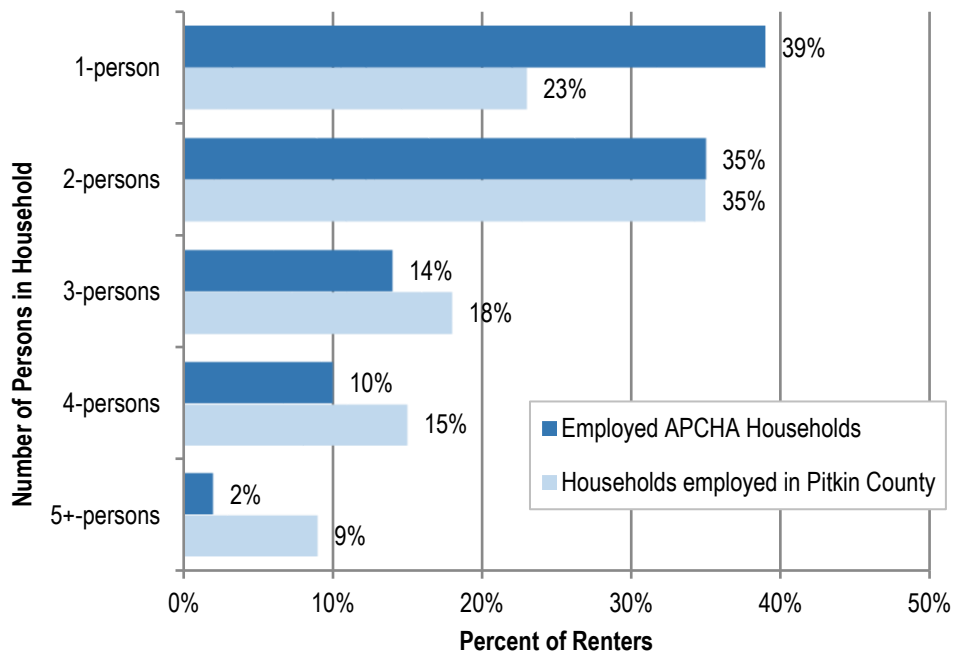
Household Composition

Type	Owners			Renters	
	Households Employed in Pitkin County	Employed APCHA Households		Households Employed in Pitkin County	Employed APCHA Households
Adult living alone	12%	21%		26%	43%
Single parent with child(ren)	5%	10%		5%	5%
Couple, no child(ren)	35%	27%		27%	19%
Couple with child(ren)	42%	37%		18%	11%
Unrelated roommates	1%	1%		17%	21%
Immediate and extended family members	3%	1%		6%	1%
Other	1%	1%		1%	1%
Average Household Size	2.7	2.5		2.5	2.0

*Totals may not add to 100% due to rounding.

Source: Employee Housing Survey 2015

Renter Household Size



*Totals may not add to 100% due to rounding.

Source: Employee Housing Survey 2015

Age of Household Members

- As would be expected, owner households are older on average than renters. For employed households overall, 65% of owner households have at least one person age 45 or older compared to only 23% of renters.
- The relative mix of ages for occupants age 18 or older is similar between APCA households and employed households overall.

Age of Household Members

Type	Owners		Renters	
	Households Employed in Pitkin County	Employed APCHA Households	Households Employed in Pitkin County	Employed APCHA Households
Age 5 or younger	20%	19%	15%	8%
6 to 17	23%	26%	15%	6%
18 to 29	16%	18%	43%	43%
30 to 44	47%	45%	52%	51%
45 to 64	54%	56%	20%	19%
65 and over	9%	7%	3%	4%
TOTAL	169%	171%	148%	131%

**Totals add to over 100% because the data reports the age of all household members, not just the head of the household.*

Source: Employee Housing Survey 2015

Household Incomes

APCHA households are fairly representative of the mix of incomes of employee households in total. The exceptions are:

- Renters earning under \$25,000 are slightly under-served in APCA units;
- Owners earning over \$100,000 are also under-served in APCA units; and
- Both owners and renters earning between \$25,000 and \$75,000 are over-served by APCA units.

Household Income (Gross)

Type	Owners		Renters	
	Households Employed in Pitkin County	Employed APCHA Households	Households Employed in Pitkin County	Employed APCHA Households
Under \$25,000	1%	1%	7%	5%
\$25,000 to \$49,999	5%	11%	19%	28%
\$50,000 to \$74,999	15%	23%	23%	25%
\$75,000 to \$99,999	20%	20%	23%	19%
\$100,000 to \$149,999	35%	30%	21%	21%
\$150,000 to \$199,999	16%	9%	5%	2%
\$200,000 or more	9%	6%	3%	0%

*Totals may not add to 100% due to rounding. Source: Employee Housing Survey 2015

Years Worked

- Occupants of APCHA housing have been employed in the area longer, on average, than employed households in total. This indicates that APCHA housing is helping to retain workers in the area and reduce employee turnover.
- Of potential concern is that the percentage of renters employed in the area less than 4 years may be underserved by APCHA rentals. This is consistent with interview comments that suggest new recruits have difficulty accessing APCHA housing.

Years Worked in Aspen/Pitkin County

	Owners		Renters	
	Households employed in Pitkin County	Employed APCHA Households	Households employed in Pitkin County	Employed APCHA Households
Less than one year	1%	1%	19%	14%
1 to 3 years	9%	4%	28%	22%
4 to 7 years	10%	10%	21%	18%
8 to 11 years	22%	17%	15%	21%
12 to 15 years	12%	14%	7%	9%
16 to 19 years	10%	11%	4%	6%
20 or more years	35%	44%	6%	10%

*Totals may not add to 100% due to rounding. Source: Employee Housing Survey 2015

Appendix B: Supporting Data for Section 2 – Income, Asset and Categories

APCHA Categories Expressed as AMI

Direct Translation Not Possible Discussion

It is not possible to directly translate APCHA's current Category system into HUD AMI ranges. This is due to several reasons, including:

- APCHA household size characterizations by number of adults and number of dependents include households with varying number of persons. Neither Category fits succinctly into one AMI household-size category. This is because households measured by the number of adults may have one or more children. Likewise, a household measured by number of dependents may have one or more adults.

Average Household Size of APCHA Households: 2015³⁶

Renters		Owners	
# of Adults	Average # Persons	# of Dependents	Average # Persons
1	1.1	0	1.6
2	2.4	1	2.8
3	3.4	2	3.8
		3	4.9

Source: Employee Housing Survey 2015

- APCHA's income calculations based on the number of adults differs from its calculation based on number of dependents. Neither income calculation matches HUD AMI calculations based on household size.
- APCHA maximum incomes for each Category do not change depending upon the total number of persons within each adult or dependent household type – a one-adult household can earn a maximum of \$35,000 in Category 1 whether it has one-person or three-persons in their household. Incomes for each HUD AMI category vary based on the number of persons in the household.

³⁶ See Section 4 – Household Size and Qualifications for more detail on household size by number of adults and dependents.

APCHA Income and HUD Income by Number of Persons in Household: 2015

	1-person	2-persons	3-persons	4-persons
APCHA max income (Category 1, 1-adult or 0-dependent)	\$35,000	\$35,000	\$35,000	\$35,000
HUD 50% AMI	\$34,150	\$39,000	\$43,900	\$48,750

Source: Employee Housing Guidelines 2015; HUD

All of these factors complicate the ability to translate APCHA Categories into HUD AMI estimates. The net result is that as *household size increases within each defined adult or dependent-sized household, the respective household must earn a lower AMI percentage to be able to qualify for housing.*

The table below provides an example by showing the equivalent AMI level for varying sized one-adult households in Category 1. This shows that:

- A one-adult household in Category 1 can earn a maximum of \$35,000.
- If the one-adult household consists of one person, then this household can earn up to 51% AMI to qualify for a unit.
- If the one-adult household has three persons, then the household can only earn up to 40% AMI to qualify for a unit.

This same pattern occurs for all sized adult and dependent households within each Category.

Translation of APCHA Income to HUD AMI: Category 1, 1-Adult (2015)

	1-person	2-persons	3-persons	4-persons
APCHA max income (Category 1, 1-adult)	\$35,000	\$35,000	\$35,000	\$35,000
HUD 100% AMI	\$68,300	\$78,000	\$87,800	\$97,500
APCHA Equivalent AMI (APCHA income/HUD 100% AMI)	51%	45%	40%	36%

Source: Employee Housing Guidelines 2015; HUD; Consultant team

Estimated Translation to AMI

Although a direct porting of APCHA's system to AMI is not possible, it is possible to estimate AMI percentages for each Category using some basic assumptions and information from the 2015 Employee Survey. The upper AMI percentage for each Category of housing for renters (by number of adults) and for owners (by number of dependents) was estimated for both the maximum AMI and the average AMI:

- The maximum AMI is based on the smallest-sized household that can occur within each adult and dependent category earning at the top of

the permitted income range (e.g. a one-person, one-adult household earning \$35,000 in Category 1). All current households within this Category will earn at or below this AMI level. This AMI estimate skews high and would have the effect, if adopted, of pulling many households into lower Categories that, under the present adult/dependent system, now qualify for higher Categories.

- The average AMI is calculated from the average-sized household of APCA occupants for each adult and dependent Category earning at the top of the permitted income range (e.g. an average 1.1-person, one-adult household earning \$35,000 in Category 1). Some households within each Category will earn above the average AMI level and some will earn below. This is the best AMI estimate to capture the core range of households served by the APCA program for each Category.

As shown below:

- The AMI for adult households *increases* as the number of adults in the household increases;
- The AMI for dependent households in Categories 3 or higher *decreases* as the number of dependents in the household increases. Category 1 shows the opposite effect, and Category 2 shows fairly consistent AMIs for all dependent Categories.

Adult Households in Estimated AMI Categories: 2015

Adults / Unit	Cat1		Cat2		Cat3		Cat4	
	Max AMI*	Average AMI**	Max AMI	Average AMI	Max AMI	Average AMI	Max AMI	Average AMI
1	52%	51%	88%	87%	129%	127%	212%	209%
2	76%	71%	104%	99%	171%	162%	276%	262%
3	81%	77%	109%	105%	178%	170%	287%	275%
Average***	65%	62%	97%	95%	152%	147%	248%	240%

*Max AMI is the AMI of the smallest permitted household size within each Adult category. For a one-adult household, this would be one person; two-adult household would be two persons and three-adult household would be three persons.

**The Average AMI is based on the average sized household within each Adult Category residing in APCA rentals.

***The overall average is a weighted average based on the distribution of current APCA renters by number of adults. About 41% are one-adult households; 53% are two-adult households; 7% are three-or-more-adult households.

Dependent Households in Estimated AMI Categories: 2015

Dependents / Unit	Cat1		Cat2		Cat3		Cat4	
	Max AMI*	Avg AMI**	Max AMI	Avg AMI	Max AMI	Avg AMI	Max AMI	Avg AMI
0	52%	47%	88%	84%	129%	119%	212%	196%
1	57%	50%	90%	85%	122%	111%	196%	178%
2	61%	54%	87%	83%	117%	108%	182%	167%
3+	64%	58%	87%	84%	113%	106%	172%	160%
Average***	56%	50%	88%	84%	124%	114%	200%	184%

Dependents / Unit	Cat5		Cat6		Cat7	
	Max AMI*	Avg AMI**	Max AMI	Avg AMI	Max AMI	Avg AMI
0	227%	209%	247%	228%	272%	251%
1	208%	189%	226%	206%	248%	225%
2	194%	178%	210%	193%	229%	210%
3+	182%	170%	196%	183%	214%	199%
Average***	213%	196%	232%	213%	254%	234%

*Max AMI is the AMI of the smallest permitted household size within each Dependent category. For a zero-dependent household, this would be one person; one-dependent household would be two persons; two-dependent household would be three persons; and 3+-dependents would be four persons.

**The Average AMI is based on the average sized household within each Dependent category owning APCHA homes.

***The overall average is a weighted average based on the distribution of current APCHA owners by number of dependents. About 51% are zero-dependent households; 22% are one-dependent households; 21% are two-dependent households; 6% are 3-or-more-dependent households.

Measuring Assets – Federal Standards (HUD)

HUD Compared to APCA Asset Inclusions

	APCHA Program
Cash held in savings, checking accounts, safe deposit boxes, etc.	Yes
Stocks, bonds, mutual funds, money market accounts, etc.	Yes
Equity in Real Property (owned or bequeathed)	Yes
Equity in other capital investments Individual retirement, 401K, Keogh Accounts (when the holder has access to the funds even if a penalty may be assessed)	60% included
Revocable trusts	Yes
Retirement and pension funds (if employed: only that amount the family can w/draw w/out retiring or terminating employment; if retired: periodic receipts are income – the remaining amount is NOT an asset; lump-sum receipts are assets)	60% of valid pension plan
Lump-sum or one-time receipts (capital gains, inheritance, lottery winnings, etc.) NOTE: non-recurring gift may/may not be an asset – if put as cash into savings or some verifiable investment, then it is an asset; if used to pay bills, not an asset	Not included: Gifts (i.e. down payment gifts)
Not Included:	
Necessary personal property (e.g., furniture, cars, clothing, etc.)	Included: autos
Assets part of an active business	Yes

Source: HUD Occupancy Handbook, 4350.2 REV-1, Chapter 5: Determining Income & Calculating Rent, Exhibit 5-2. Only select assets of most relevance to the APCA program are included above. Reference the Handbook for more information.

Appendix C: Supporting Data for Section 3 – Affordability Analysis

Part 1 - Rental Affordability

Affordability for Renters in Existing Units

Households Paying Over 30% of Income for Rent: APCA Renters 2015

	1-adult	2-adults	3-adults	Total Households
% Cost-Burdened	29.9%	18.0%	9.1%	23.0%
Including utilities	37.6%	19.3%	14.3%	27.5%

	Category 1	Category 2	Category 3	Category 4
% Cost-Burdened	61.5%	32.4%	0.3%	0.0%
Including utilities	75.0%	40.0%	4.6%	0.0%

Source: Employee Housing Survey 2015

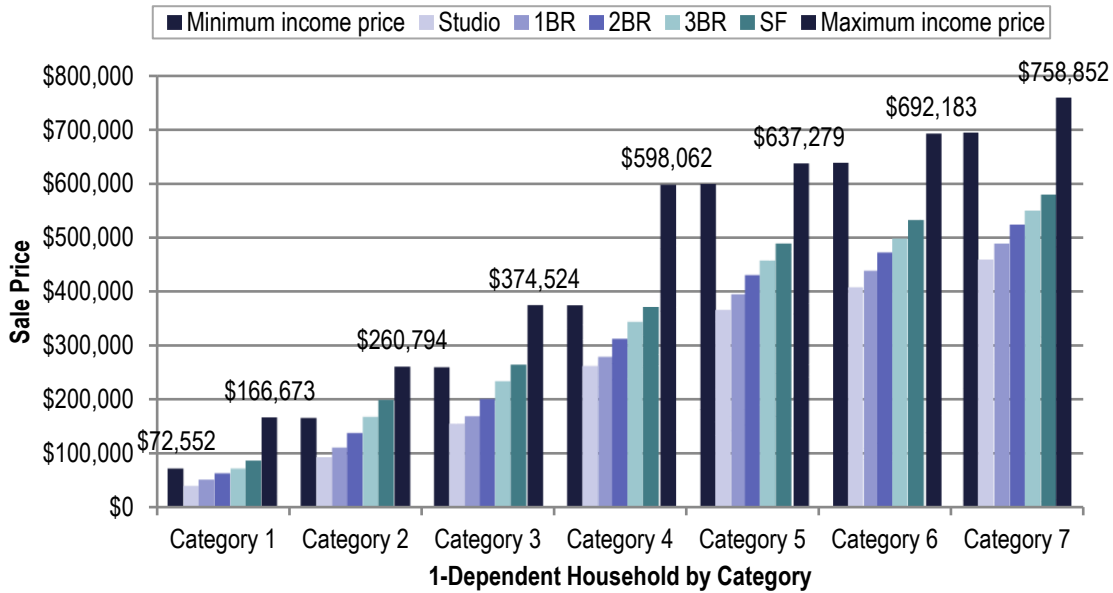
Part 2 - Ownership Affordability

The following chart show the range of sale prices that one- through three+ dependent households can afford to pay given the income range for each Category (the chart for zero-dependent households is in the main report document).

The affordable range of sale prices is compared to APCA sale prices for each type of home, visually displaying where Category prices may exceed a household's ability to pay.

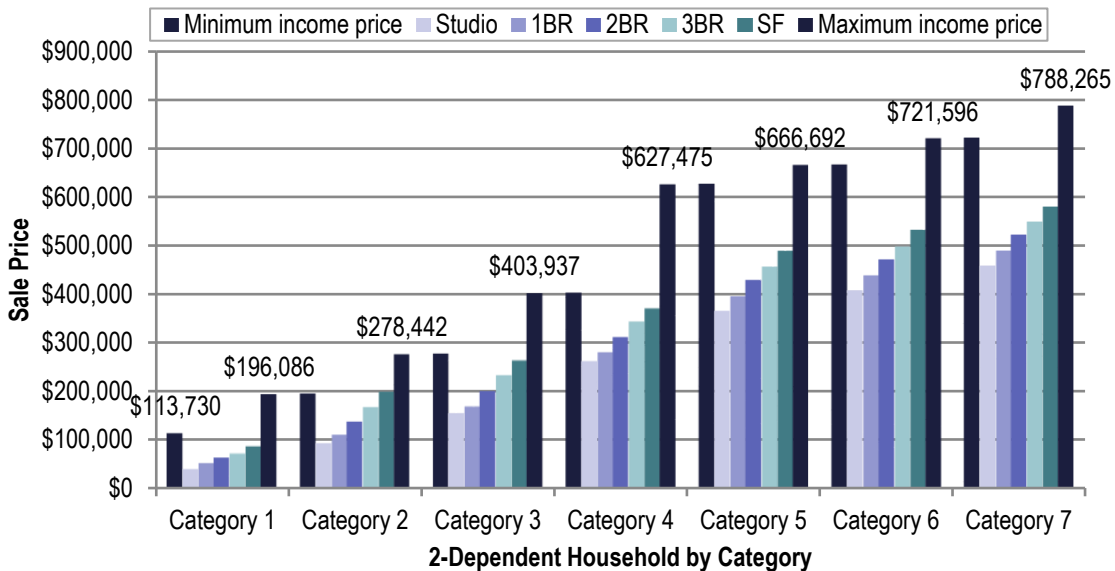
The below charts show that for one-dependent through three+ dependent households, affordability rises as Categories increase. Only one-dependent households are limited in their selection in Category 1, with generally good options for other dependent-sized households across each Category.

Sale Prices Affordable to Households Within the Permitted Income Range Compared to Maximum APCA Sales Prices: One-Dependent Household³⁷



Source: Aspen/Pitkin County Housing Authority, Consultant Team.

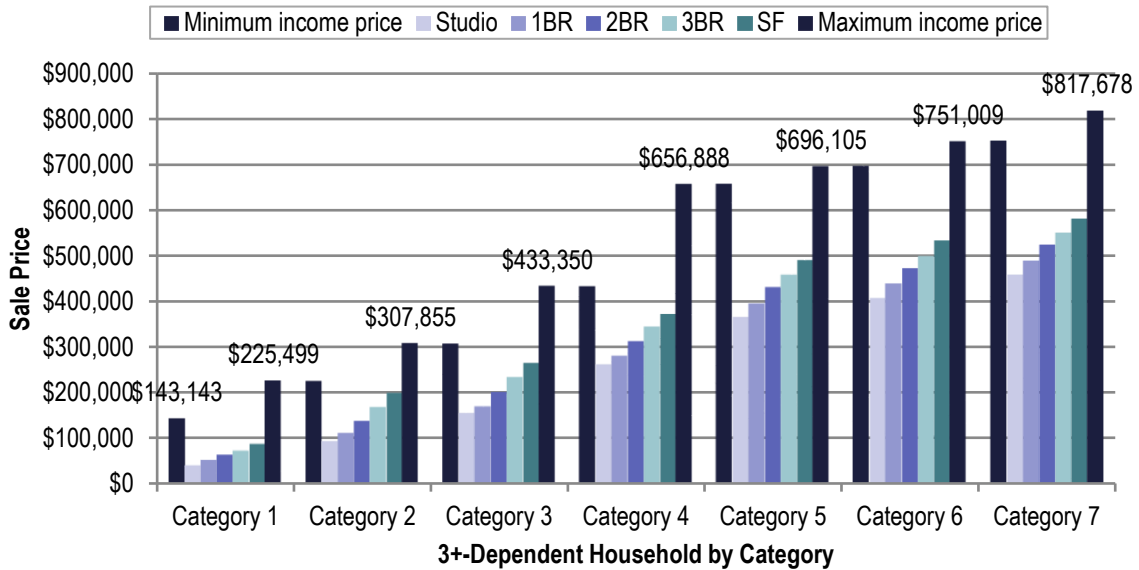
Sale Prices Affordable to Households Within the Permitted Income Range Compared to Maximum APCA Sales Prices: Two-Dependent Household



Source: Aspen/Pitkin County Housing Authority, Consultant Team.

³⁷ Based on the standard that no more than 30% of income is used for housing payments, including mortgage principal, interest, taxes, insurance and estimated HOA. Category 1 minimum sales prices are calculated from the estimated minimum incomes in Table 35 (in the main report document) for all one- through three+-dependent charts.

Sale Prices Affordable to Households Within the Permitted Income Range Compared to Maximum APCA Sales Prices: Three+-Dependent Household



Source: Aspen/Pitkin County Housing Authority, Consultant Team.

This section describes the methodology used to calculate affordable rents and sales prices from estimated rental AMI categories presented in Section 2, as follows:

APCHA Rentals and Ownership

Estimated Upper AMI Limit for Each Category: 2015

	Rentals	Ownership		Rentals	Ownership
Cat 1	60%	50%	Cat 5	NA	195%
Cat 2	95%	85%	Cat 6	NA	215%
Cat 3	150%	115%	Cat 7	NA	235%
Cat 4	240%	185%			

Estimated AMI limits were rounded to the nearest 5% point in the above table.

Estimated AMI Rents

Methodology:

- Because it is desirable that Category 1 and 2 rents remain affordable and many of these renter households are cost-burdened, the low end of the range was selected for Categories 1 (25% range) and Category 2 (30% range). The midpoint was selected for Categories 3 and 4. This results in mid-point AMI levels as follows:

AMI Low- or Mid-Point Used Per Category

AMI basis for rents	
Cat 1	30%
Cat 2	71%
Cat 3	120%
Cat 4	193%

- CHFA household size limits were used to determine the number of persons permitted per bedroom to determine income and rent calculations.

CHFA Occupancy Limits for Rent Calculations (2015)³⁸

	# of Persons
Studio	1
1-bedroom	2
2-bedroom	3
3-bedroom	5
Single family	6

- Category 1 minimum AMI was assumed to be 20%, which is about equivalent to a one-person household earning \$14,000 per year. This is based on the requirement that qualified applicants must work at least 1,500 hours per year. At \$10 per hour this would be \$15,000 per year. This minimum income is not established by APCHA, but it was stated that incomes earning substantially below \$15,000 call into question whether the work requirement is being met.
- Rents are based on the affordability standard that no more than 30% of income is applied toward rent.

³⁸ Source: Colorado Housing and Finance Authority, "LIHTC Qualified Allocation Plan," 2016. Available at: http://www.chfainfo.com/arh/lihtc/LIHC_Documents/CHFA_QAP_2016.pdf

APCHA Max Rents and AMI Category Rents Compared

	Category 1 (20% to 60% AMI)	Category 2 (60.1- 75%)	Category 3 (95.1- 145% AMI)	Category 4 (145.1 - 240% AMI)
APCHA Rent (2015)				
Studio	\$492	\$875	\$1,307	\$1,734
1-br	\$608	\$1,028	\$1,457	\$1,903
2-br	\$720	\$1,180	\$1,610	\$2,057
3-br	\$834	\$1,320	\$1,767	\$2,210
Single-family	\$951	\$1,489	\$1,918	\$2,284
AMI Rent (estimated)				
Studio	\$512	\$1,080	\$2,049	\$3,287
1-br	\$585	\$1,235	\$2,340	\$3,754
2-br	\$659	\$1,389	\$2,634	\$4,225
3-br	\$848	\$1,790	\$3,393	\$5,443
Single-family	\$907	\$1,913	\$3,627	\$5,818
% Change				
Studio	4%	23%	57%	90%
1-br	-4%	20%	61%	97%
2-br	-9%	18%	64%	105%
3-br	2%	36%	92%	146%
Single-family	-5%	28%	89%	155%

AMI Rent represents the mid-point rent for the AMI range. Some rents may fall below this price point and some above, but average rents will equal those in the table.

Estimated AMI Sale Prices

Methodology:

- Because it is desirable that Category 1 and 2 sale prices remain affordable, the low end of the AMI range was selected for Categories 1 (25% range) and Category 2 (30% range). The midpoint was selected for Categories 3 and 4.

AMI Low- or Mid-Point Used Per Category

AMI basis for sale prices	
Cat 1	27%
Cat 2	60%
Cat 3	100%
Cat 4	150%
Cat 5	190%
Cat 6	205%
Cat 7	225%

- Category 1 minimum AMI was assumed to be 20%, which is about equivalent to a one-person household earning \$14,000 per year. This is based on the requirement that qualified applicants must work at least 1,500 hours per year. At \$10 per hour this would be \$15,000 per year. This minimum income is not established by APCHA, but it was stated that incomes earning substantially below \$15,000 call into question whether the work requirement is being met.
- CHFA household size limits were used to determine the number of persons permitted per bedroom to determine income and rent calculations (see Table above - CHFA Occupancy Limits for Rent Calculations (2015)).
- Sale prices are based on the affordability standard that no more than 30% of income is applied toward mortgage. An assumption of a 5% interest loan, with 5% down payment and 20% of the monthly payment toward taxes, insurance and HOA. The interest rate assumption can have a significant impact on affordable prices. For example, increasing the interest rate by just 0.5% can decrease the amount that a household can pay for a single family home by between about \$10,000 (Category 1) to over \$50,000 (Category 7).

APCHA Max Sale Prices and AMI Category Sale Prices Compared

	Cat 1 (20 - 50% AMI)	Cat 2 (50 - 85%)	Cat 3 (85 - 115%)	Cat 4 (115 - 185%)
APCHA Sale Price (2015)				
Studio	\$40,000	\$93,000	\$155,000	\$262,000
1-br	\$52,000	\$111,000	\$169,000	\$280,000
2-br	\$63,000	\$137,000	\$200,000	\$311,000
3-br	\$72,000	\$168,000	\$234,000	\$344,000
Single-family	\$87,000	\$199,000	\$264,000	\$371,000
AMI Sale Price				
Studio	\$73,471	\$151,773	\$267,853	\$401,780
1-br	\$106,633	\$173,420	\$305,894	\$458,841
2-br	\$120,031	\$234,187	\$344,327	\$516,490
3-br	\$143,955	\$251,405	\$412,957	\$619,435
Single-family	\$154,618	\$268,720	\$443,546	\$665,320
% Change				
Studio	84%	63%	73%	53%
1-br	105%	56%	81%	64%
2-br	91%	71%	72%	66%
3-br	100%	50%	76%	80%
Single-family	78%	35%	68%	79%

AMI Rent represents the mid-point sale price for the AMI range. Some sale prices may fall below this price point and some above, but average sale prices will equal those in the table.

Appendix D: Matrix of Peer Community Housing Programs

Appendix E: Map of Ownership Exclusion Zone